Lepelle-Nkumpi Municipality

(Registration Number LIM 355)
Annual Financial Statements
for the year ended 30 June 2020

Lepelle-Nkumpi Municipality

(Registration Number LIM 355)
Annual Financial Statements for the year ended 30 June 2020

General Information

Nature of Business and Principal Activities	Local Goverment and the provision of basic services to the local community
Municipal grading	3
Members of the council	
Mayor	Molala Matshipsana Merriam
Speaker	Ntsoane Phukuwe Barnard
Chief whip	Thobejane Tswaledi Andries
Members of the Executive Committee	Mphofela Sabulone Matabane
Members of the Executive Committee	Mogashwa Aaron
Members of the Executive Committee	Mphahlele Ramatsimela Lina
Members of the Executive Committee	Makgati Mabote Arnold
Members of the Executive Committee	Ramokolo Mokgaetsi Maria
Members of the Executive Committee	Tsela Fani David
Members of the Executive Committee	Themane Moraka David
Members of the Executive Committee	Rababalela Sherly
Members of the Executive Committee	Ratau Itumeleng Gift

General Information

Members of the council

Members	Doubada NN
Members	Ramalebana LM
Members	Mollo MI
Members	Leshilo GK
Members	Thobejane TC
Members	Lekoana MR
Members	Seribishane KG
Members	Chidi MV
Members	Kgokolo RD
Members	Makola J
Members	Babile PT
Members	Kgweedi MM
Members	Ledwaba CS
Members	Mailula LM
Members	Masebe BN
Members	Masemola SG
Members	Mathabatha TP
Members	Mohlala LN
Members	Molala MJ
Members	Mphahlele TJ
Members	Ntshabeleng PS
Members	Ntswane MR
Members	Phele RS
Members	Takalo ME
Members	Thobejane L
Members	Choung CM
Members	Kutumela FM
Members	Ledwaba JL
Members	Ledwaba PE
Members	Mabula RO
Members	Makgahlele MB
Members	Marema TG
Members	Matsimela MD
Members	Mmotla MN
Members	Moganedi VM
Members	Mohlala PM
Members	Molaba RG
Members	Molatjana ML
Members	Morotoba NL
Members	Mvundlela MW
Members	Nkuna FM
Members	Petje LT
Members	Ramoshaba RS
Members	Shogole mw
Members	Takalo PS
Members	Tlabjane JB
Members	Phoshoko SD
Members	Mphuti T
Acting Municipal Manager	Gafane L.A
Acting Chief Financial Officer	Masemola M.N

General Information

Registered Office	Lebowakgomo
Business Address	170 BA Civic Centre Lebowakgomo 0737
Postal Address	Private Bag X07 Chuenespoort 0745
Bankers	First National Bank (FNB)
Auditors	Auditor General of South Africa

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Accounting Officer Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I am responsible for the preparation of these annual financial statements, which are set out on pages s 5 to 81, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

Gafane L. A
Acting Municipal Manager

30/10/2020
Date

Statement of Financial Position

Figures in R	Notes	2020	Restated 2019
Assets			
Current assets			
Inventories	3	59 596 646	61 248 052
Receivables from exchange transactions	4	47 504 562	34 125 557
Receivables from non-exchange transactions	5	57 091 143	52 394 235
VAT Receivable	6	1 521 059	-
Cash and cash equivalents	7	168 504 049	89 297 761
Total current assets		**334 217 459**	**237 065 605**
Non-current assets			
Property, plant and equipment	9	757 655 545	722 463 458
Investment property	8	146 641 000	133 901 000
Intangible assets	10	154 754	215 937
Heritage assets	11	183 684	183 684
Total non-current assets		**904 634 983**	**856 764 079**
Total assets		**1 238 852 442**	**1 093 829 684**
Net assets and liabilities			
Liabilities			
Current liabilities			
Provisions	15	583 633	482 188
Consumer deposits	13	1 961 236	1 926 836
VAT payable	6	-	5 327 508
Payables from exchange transactions	12	104 395 284	67 359 774
Unspent conditional grants and receipts	14	16 892 408	19 094 385
Total current liabilities		**123 832 561**	**94 190 691**
Non-current liabilities			
Provisions	15	3 675 259	4 750 453
Total liabilities		**127 507 820**	**98 941 144**
Net assets			
Total net assets and liabilities		**1 111 344 622**	**994 888 540**
Accumulated surplus		**1 111 344 622**	**994 888 540**

Statement of Financial Performance

Figures in R	Notes	2020	Restated 2019
Revenue from exchange transactions			
Service charges	16	6 151 937	5 842 699
Rental of facilities and equipment	17	370 841	523 097
Water and sanitation : Commission Earned	18	23 285 023	28 636 374
Agency fees : Licences and permits	19	3 551 687	4 305 715
Other revenue	20	12 306 647	8 005 980
Finance income	21	22 526 259	21 174 837
Gain on disposal of assets and liabilities		-	150 413
Total revenue from exchange transactions		**68 192 394**	**68 639 115**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	28 186 444	26 927 678
Transfer Revenue			
Government grants and subsidies received - Operating	23	253 490 633	234 971 979
Government grants and subsidies received - Capital	23	38 047 345	24 881 296
Traffic fines		5 072 385	513 050
Total revenue from non-exchange transactions		**324 796 807**	**287 294 003**
Total revenue		**392 989 201**	**355 933 118**
Expenditure			
Employee related cost	25	(98 217 066)	(96 650 127)
Remuneration of councillors	26	(22 231 918)	(21 467 681)
Depreciation, amortisation and impairment	27	(32 869 711)	(40 248 166)
Finance cost	28	-	(5 836)
Provision for impairments adjustment	29	(50 822 336)	(41 416 279)
Repairs and maintenance		(3 716 849)	(7 593 167)
Contracted services	30	(18 985 424)	(19 856 200)
Free Basic Services : Electricity		(1 741 924)	(3 719 948)
Expenditure on third party projects		(312 984)	(4 467 406)
Loss on disposal of assets		(3 836 938)	-
General expenses	31	(57 423 489)	(79 434 528)
Total other expenses		**(290 158 639)**	**(314 859 338)**
Fair value gains or (losses)	24	13 853 943	10 098 000
Surplus for the year		**116 684 505**	**51 171 780**

Statement of Changes in Net Assets

Figures in R	Accumulated surplus	Total
Balance at 1 July 2018 as previously reported	**907 888 203**	**907 888 203**
Prior period adjustments. Note 34	35 828 559	35 828 559
Balance at 1 July 2018 as restated	**943 716 762**	**943 716 762**
Changes in net assets		
Surplus for the year	51 171 780	51 171 780
Balance at 30 June 2019 as restated	**994 888 540**	**994 888 540**
Balance at 1 July 2019 as previously reported	1 000 276 605	1 000 276 605
Prior period adjustments. Note 34	(5 388 065)	(5 388 065)
Balance at 1 July 2019 as restated	**994 888 540**	**994 888 540**
Changes in net assets		
Surplus for the year	116 684 505	116 684 505
Balance at 30 June 2020	**1 111 344 622**	**1 111 344 622**

Statement of Cash Flows
Figures in R

	Notes	2020	Restated 2019
Cashflow from operating Activities			
Receipts			
Sale of goods and services		8 805 435	22 139 180
Grants		289 336 001	270 839 837
Interest Income		8 294 602	5 320 874
Cash received from agency fees, fines and other income.		6 496 409	16 985 229
		312 932 447	**315 285 120**
Payments			
Employee cost		(118 475 246)	(115 810 436)
Payments to suppliers for goods and services		(43 443 444)	(115 070 677)
		(161 918 690)	**(230 886 949)**
Net cash flows from operations	32	**151 013 756**	**84 398 170**
Cash flows used in investing activities			
Proceeds from sales of property, plant and equipment		30 081	322 544
Purchase of property, plant and equipment		(71 755 215)	(50 609 297)
Purchase of intangible assets		(82 335)	(507 864)
Cash flows used in investing activities		**(71 807 469)**	**(50 794 617)**
Cash flows used in financing activities			
Finance lease payments		-	(238 138)
Cash flows used in financing activities		**-**	**(238 138)**
Net increase in cash and cash equivalents		**93 060 230**	**33 365 415**
Cash and cash equivalents at beginning of the year		89 297 761	58 429 524
Cash and cash equivalents at end of the year	7	**168 504 049**	**89 297 761**

Lepelle-Nkumpi Municipality

(Registration Number LIM 355)
Financial Statements for the year ended 30 June 2020

Statement of Comparision of Budget and Actual Amounts

Figures in R

Statement of financial performance

	Notes	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue from exchange transactions	47						
Service charges	16	7 709 700	(1 689 923)	6 019 777	6 151 937	(132 160)	
Rental of facilities and equipment	17	842 559	(363 281)	479 278	370 841	108 437	47
Water and sanitation : Commission Earned	18	8 677 615	(54 985)	8 622 630	23 285 023	(14 662 393)	47
Agency fees : Licences and permits	19	2 106 190	5 965 386	8 071 576	3 551 687	4 519 889	47
Other revenue	20	34 811 206	(5 208 948)	29 602 258	12 306 647	17 295 611	47
Finance income	21	15 515 308	3 181 771	18 697 079	22 526 259	(3 829 180)	47
Total revenue from exchange transactions		69 662 578	1 830 020	71 492 598	68 192 394	3 300 204	
Revenue from non-exchange transactions							
Taxation revenue							
Property rates	22	30 208 936	-	30 208 936	28 186 444	2 022 492	
Government grants and subsidies received - Operating	23	253 358 000	314 455	253 672 455	253 490 633	181 822	47
Government grants and subsidies received - Capital	23	54 074 000	306 135	54 380 135	38 047 345	16 332 790	47
Traffic fines		1 137 240	1 342 760	2 480 000	5 072 385	(2 592 385)	47
Total revenue from non-exchange transactions		338 778 176	1 963 350	340 741 526	324 796 807	15 944 719	
Total revenue		**408 440 754**	**3 793 370**	**412 234 124**	**392 989 201**	**19 244 923**	

Statement of Comparision of Budget and Actual Amounts

Figures in R

	Notes 47	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Expenditure							
Employee related cost	25	(110 278 045)	4 201 417	(106 076 628)	(98 217 066)	(7 859 562)	
Remuneration of councillors	26	(27 577 740)		(27 577 740)	(22 231 918)	(5 345 822)	47
Depreciation, amortisation and impairment	27	(37 872 000)	7 000 000	(30 872 000)	(32 869 711)	1 997 711	
Finance cost	28	(135 000)		(135 000)	-	(135 000)	47
Provision for impairments adjustment	29	(32 630 785)	4 154 775	(28 476 010)	(50 822 336)	22 346 326	47
Repairs and maintenance		(8 350 000)	3 331 865	(5 018 135)	(3 716 849)	(1 301 286)	47
Contracted services	30	(45 736 845)	(7 543 954)	(53 280 799)	(18 985 424)	(34 295 375)	47
Free Basic Services : Electricity		(3 347 280)	50 000	(3 297 280)	(1 741 924)	(1 555 356)	47
Expenditure on third party projects		-		-	(312 984)	312 984	
Loss on disposal of assets		-	-	-	(3 836 938)	3 836 938	
General expenses	31	(38 347 119)	(3 825 513)	(42 172 632)	(57 423 489)	15 250 857	47
Total expenditure		**(304 274 814)**	**7 368 590**	**(296 906 224)**	**(290 158 639)**	**(6 747 585)**	
Operating surplus/(Deficit)		**104 165 940**	**11 161 960**	**115 327 900**	**102 830 562**	**12 497 338**	
Gains on fair value adjustments		-	-	-	13 853 943	(13 853 943)	
Surplus / (deficit) for the year		**104 165 940**	**11 161 960**	**115 327 900**	**116 684 505**	**(1 356 605)**	

Statement of Comparision of Budget and Actual Amounts

Figures in R **Notes**

Statement of Financial Position

	Notes	Approved budget	Adjustments	Final budget	Actual amount on comparative basis	Difference between final budget and actual	Reference
Assets							
Current assets							
Inventories	3	261 708 406	(149 316 000)	112 392 406	59 596 646	52 795 760	47
Receivables from exchange transactions	4	34 673 542		34 673 542	47 504 562	(12 831 020)	47
Receivables from non-exchange transactions	5	73 235 801	-	73 235 801	57 091 143	16 144 658	47
VAT Receivable	6	-	-	-	1 521 059	(1 521 059)	
Cash and cash equivalents	7	62 000 000	21 524 867	83 524 867	168 504 049	(84 979 182)	47
Total current assets		**431 617 749**	**(127 791 133)**	**303 826 616**	**334 217 459**	**(30 390 843)**	
Non-current assets		-	-	-	-	-	
Investments		153 000 000	(153 000 000)	-	-	-	
Property, plant and equipment	9	594 906 285	162 637 094	757 543 379	757 655 545	(112 166)	
Investment property	8	-	99 316 000	99 316 000	146 641 000	(47 325 000)	47
Intangible assets	10	21 989	-	21 989	154 754	(132 765)	47
Heritage assets	11	-	-	-	183 684	(183 684)	
Total non-current assets		**747 928 274**	**108 953 094**	**856 881 368**	**904 634 983**	**(47 753 615)**	
Total assets		**1 179 546 023**	**(18 838 039)**	**1 160 707 984**	**1 238 852 442**	**(78 144 458)**	

Statement of Comparision of Budget and Actual Amounts

Figures in R

	Notes	Approved budget	Adjustments	Final budget	Actual amount on comparative basis	Difference between final budget and actual	Reference
Liabilities							
Current liabilities							
Consumer deposits	13	2 001 783	-	2 001 783	1 961 236	40 547	
VAT payable	6	3 500 000	-	3 500 000	-	3 500 000	47
Payables from exchange transactions	12	65 707 630	-	65 707 630	104 395 284	(38 687 654)	47
Finance lease obligation		250 521	-	250 521	-	250 521	47
Unspent conditional grants and receipts	14	14 557 490	-	14 557 490	16 892 408	(2 334 918)	47
Total current liabilities		**86 017 424**	**-**	**86 017 424**	**123 248 928**	**(37 231 504)**	
Non-current liabilities							
Provisions	15	8 853 103	-	8 853 103	3 675 259	5 177 844	47
Finance lease obligation		263 548	-	263 548		263 548	47
Total non-current liabilities		**8 853 103**	**-**	**8 853 103**	**3 675 259**	**5 177 844**	
Total liabilities		**94 870 527**	**-**	**94 870 527**	**126 924 187**	**(32 053 660)**	
Net assets		**1 084 675 496**	**(18 838 039)**	**1 065 837 457**	**1 111 928 255**	**(46 090 798)**	
Accumulated surplus		1 084 411 948	-	1 084 411 948	1 111 344 622	(26 932 674)	
Total net assets		**1 084 411 948**	**-**	**1 084 411 948**	**1 111 344 622**	**(26 932 674)**	

Lepelle-Nkumpi Municipality

(Registration Number LIM 355)
Financial Statements for the year ended 30 June 2020

Statement of Comparision of Budget and Actual Amounts

Figures in R

Notes

Cashflow statement

	Approved budget	Adjustments	Final budget	Actual amount on comparative basis	Difference between final budget and actual	Reference
Receipts						
Sale of goods and services	13 516 872	(4 868 804)	8 648 068	8 805 435	(157 367)	
Grants	307 432 000	298 000	307 730 000	289 336 001	18 393 999	
Interest Income	5 008 623	2 173 665	7 182 288	8 294 602	(1 112 314)	
Cash received from agency fees, fines and other income.	17 427 801	6 125 827		6 496 409	(6 496 409)	
	343 385 295	**3 728 689**	**323 560 356**	**312 932 447**	**10 627 909**	
Payments						
Employee cost	(95 781 243)	(7 987 603)	(103 768 846)	(118 475 246)	14 706 400	
Payments to suppliers for goods and services	(137 855 785)	4 201 417	(133 654 368)	(43 443 444)	(90 210 924)	
Finance cost	(135 000)	-	(135 000)	-		
	(233 772 028)	**(3 786 186)**	**(237 558 214)**	**(161 918 690)**	**(75 504 524)**	
Net cashflow from operations	**109 613 267**	**(57 497)**	**86 002 142**	**151 013 756**	**(64 876 615)**	
Cash flows used in investing activities						
Proceeds from sales of property, plant and equipment	-	-	-	30 081	(30 081)	
Purchase of property, plant and equipment	(104 165 941)	(11 161 963)	(115 327 904)	(71 755 215)	(43 572 689)	
Purchase of intangible assets			-	(82 335)	82 335	
Cash flows used in investing activities	**(104 165 941)**	**(11 161 963)**	**(115 327 904)**	**(71 807 469)**	**(43 520 435)**	
Cash flows used in financing activities						
Finance lease payments	-	-	-	-	-	
Cash flows used in financing activities	-	-	-	-	-	
Net increase in cash and cash equivalents	**5 447 327**	**(11 219 461)**	**(29 325 762)**	**93 060 230**	**(108 397 050)**	
Cash and cash equivalents at beginning of the year	94 632 847			89 297 761		
Cash and cash equivalents at end of the year	100 080 174	(11 219 461)	(29 325 762)	168 504 049	(108 397 050)	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005. These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

.1 Compound instruments

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

The write down is included in the impairment of assets note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the municipality is the current bid price. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of valuein-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Accounting Policies

Presentation of Annual Financial Statements continued...

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply and demand, together with economic factors such as exchange rates, inflation and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 15 - Provisions.

Useful lives

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and intangible assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. In the event that assets are fair valued, the useful lives of these assets is the estimated remaining useful life on takeon date.

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Presentation currecy

These annual financial statements are presented in South African Rand which is the functional currency of the municipality.

Accounting Policies

Presentation of Annual Financial Statements continued...

3 Going concern assumption

In terms of the accounting standard GRAP 1 paragraphs 27 to 30 the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

.4 Investment property

Investment property is property (land or a building, or part of a building, or both) held to earn rentals or capital appreciation or both, rather that for:

- use in the production or supply of goods or services, or
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, its is probable that the future eceonimc benefors or service potential that are associated with the investment property will flow to the municipality and the cost or fair value of the investment property can be measured reliably

Initial Recognition:

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

Subsequent Measurement:

Investment property is measured at fair value. After initial recognition all investment property is measured at fair value at each Statement of financial position date. No depreciation is calculated on these properties.

Item	Useful life
Property - land	Indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service are expected from its disposal

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and trhe carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Accounting Policies

Presentation of Annual Financial Statements continued...

The cost of an item of property, plant and equipment is recognised as an asset when:
• it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
• the cost of the item can be measured reliably

Property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at re-valued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Subsequent Measurement:

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Accounting Policies

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The useful lives of items of property, plant and equipment have been assessed as follows:-

Item	Useful life
Land	Indefinite
Buildings	10 - 30 years
Community assets	10 - 30 years
Infrastructure:	
• Roads	10 - 100 years
• Electricity	5 - 80 years
Other assets:	
• Machniery and equipment	2 - 15 years
• Furniture and equipment	5 - 15 years
• Computer equipment	5 - 10 years
• Vehicles	7 - 15 years

In the event that assets are fair valued, the useful lives of those assets is the estimated remaining useful life on takeon date.

The asset management policy contains the details of the components and their specific useful life estimates.

The residual value, the useful life and the depreciation method are reviewed at least at every reporting date

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of
another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the de-recognition of an item of Intangible assets is included in surplus or deficit when the items derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in the Statement of Financial Performance.

1.6 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance and recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

An asset is identified as an intangible asset when it:

Accounting Policies

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- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Inventories

Inventories are measured at the lower of cost and net realisable value

Accounting Policies

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The cost at reporting date comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Unsold properties are at the lower cost and net realisable value. Direct cost are accumulated for each separately identifiable development. Cost also includes a portion of the overhead costs.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or un-collectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates

De-recognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, (see the Standard of GRAP on Revenue from Exchange Transactions) transaction costs, and all other premiums or discounts.

There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Accounting Policies

Presentation of Annual Financial Statements continued...

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:

> receive cash or another financial asset from another entity; or
> exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Accounting Policies

Presentation of Annual Financial Statements continued...

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class Category

- Cash and cash equivalents
- Financial asset measured at amortised cost
- Trade and other receivables from non-exchange transactions
- Trade and other receivables from exchange transactions Financial asset measured at amorstised cost
- Long term receivables Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

- Long term liabilities Financial liability measured at amortised cost
- Trade and other payables Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value]. The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately.

The entity accounts for that part of a concessionary loan that is:

Accounting Policies

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- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value.

This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

Accounting Policies

Presentation of Annual Financial Statements continued...

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process

Impairment and un-collectability of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

De-recognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:

> derecognise the asset; and
> recognise separately any rights and obligations created or retained in the transfer.

Accounting Policies

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The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for de-recognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for de-recognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in de-recognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Accounting Policies

Presentation of Annual Financial Statements continued...

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the entity does not offset the transferred asset and the associated liability.

1.9 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Accounting Policies

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When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
• the amount of revenue can be measured reliably;
• it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
• the stage of completion of the transaction at the reporting date can be measured reliably; and
• the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
• It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
• The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is
performed.

1.10 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Accounting Policies

Presentation of Annual Financial Statements continued...

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified. Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality. When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Presentation of Annual Financial Statements continued...

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.11 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.12 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Accounting Policies

Presentation of Annual Financial Statements continued...

A provision is used only for expenditure for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision. No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the financial
statements.

1.13 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote;
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), The Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

Presentation of Annual Financial Statements continued...

1.15 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Translation of foreign currencies

1.16 Comparative figures

Current year comparatives

Budgeted amounts have been included in the statement of comparison of budget and actual amounts for the current financial year only.

Prior year comparatives

When presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.17 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the statement of financial performance.

Accounting Policies

Presentation of Annual Financial Statements continued...

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.18 Non-current assets held for sale

Non-current assets are classified as "held for sale assets" if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. A noncurrent asset is depreciated (or amortised) while it is classified as a "held for sale" asset.

Interest and other expenses attributable to the liabilities of the "held for sale assets" are recognised in surplus or deficit.

1.19 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any
accumulated depreciation and accumulated impairment losses thereon. A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Accounting Policies

Presentation of Annual Financial Statements continued...

Useful life is either:
• the period of time over which an asset is expected to be used by the municipality; or
• the number of production or similar units expected to be obtained from the asset by the municipality

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
• base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
• base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
• estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
• projections of cash inflows from the continuing use of the asset;
• projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
• net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
• cash inflows or outflows from financing activities; and
• income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Cash-generating units

Accounting Policies

Presentation of Annual Financial Statements continued...

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cashgenerating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified. The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit.

The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit. Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that noncash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a re-valued cash-generating asset is treated as a revaluation increase.

Presentation of Annual Financial Statements continued...

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a noncash- generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non- cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

1.20 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment. Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

Presentation of Annual Financial Statements continued...

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides postemployment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Accounting Policies

Presentation of Annual Financial Statements continued...

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of each reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:
• the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
• the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies. The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
• the present value of the defined benefit obligation at the reporting date;
• minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
• plus any liability that may arise as a result of a minimum funding requirement

Accounting Policies

Presentation of Annual Financial Statements continued...

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date. The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices). When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

Accounting Policies

Presentation of Annual Financial Statements continued...

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled. The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money.

The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
• estimated future salary increases;
• the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
• estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
• those changes were enacted before the reporting date; or
• past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Pension Obligations: The municipality and its employees contribute to 4 different Pension Funds, of which 2 (The Municipal Employees Pension Fund and Municipal Gratuity Fund) cater for the majority of the staff. Municipal Employees Pension Fund, Municipal Gratuity Fund and National Fund for Municipal Workers are defined benefit funds. The Municipal Councillors Pension Fund are defined contribution funds.

The schemes are funded through payments to financial consultant companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Accounting Policies

Presentation of Annual Financial Statements continued...

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.21. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.24 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

Presentation of Annual Financial Statements continued...

1.25 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.26 Grants in aid

The Lepelle-Nkumpi Municipality transfers money to individuals, institutions and organisations. When making these transfers, The Municipality does not: Receive any goods or services directly in return, as would be expected in a purchase or sale transaction Expect to be repaid in future; or Expect a financial return, as would be expected from an investment These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.27 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any
accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Accounting Policies

Presentation of Annual Financial Statements continued...

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of a cash-generating asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a re-valued non- cash-generating asset is treated as a revaluation decrease. When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

Accounting Policies

Presentation of Annual Financial Statements continued...

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non- cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

1.28 Presentation of Budget Information in the Financial Statements

The Municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

Presentation of Annual Financial Statements continued...

1.29 Heritage Assets

Recognition of Assets

Heritage assets is recognised when it has a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset is further recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

Subsequent Measurement

Heritage asset is measured at its cost value and should it be acquired through a non-exchange transaction will it be measured at its fair value as at the date of acquisition and is carried at its cost less any accumulated impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus and is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit and is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Although a heritage asset is not depreciated it is the heritage asset assess at each reporting date to disclose whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

The municipality will treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. Should any item of property, plant and equipment or an intangible asset carried at a re-valued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a re-valued amount, the entity applies the applicable Standard to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard relating to that asset. Transfer of investment property carried at fair value, or inventories to heritage assets at a re-valued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

Item use	Full life
Property and building	Indefinite
Other Assets	5 to 50 years

De-recognition of Asset

The carrying amount of a heritage is de-recognised:
- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

Presentation of Annual Financial Statements continued...

The gain or loss arising from the de-recognition, of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Value Added Tax (VAT)

The municipality accounts for Value Added Tax on the cash basis.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
IGRAP 19: Liabilities to Pay Levies	1-Apr-19	Unlikely there will be a material impact
GRAP 12 (as amended 2016): Inventories	1-Apr-19	Unlikely there will be a material impact
GRAP 16 (as amended 2016): Investment Property	1-Apr-19	Unlikely there will be a material impact
GRAP 17 (as amended 2016): Property, Plant and Equipment	1-Apr-19	Unlikely there will be a material impact
GRAP 21 (as amended 2016): Impairment of non-cashgenerating assets	1-Apr-19	Unlikely there will be a material impact
GRAP 26 (as amended 2016): Impairment of cashgenerating assets	1-Apr-19	Unlikely there will be a material impact
GRAP 27 (as amended 2016): Agriculture	1-Apr-19	Unlikely there will be a material impact
GRAP 31 (as amended 2016): Intangible Assets	1-Apr-19	Unlikely there will be a material impact
GRAP 103 (as amended 2016): Heritage Assets	1-Apr-19	Unlikely there will be a material impact
Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	1-Apr-19	Unlikely there will be a material impact

New standards and interpretations continued...

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 37: Joint Arrangements	1-Apr-19	Unlikely there will be a material impact
GRAP 38: Disclosure of Interests in Other Entities	1-Apr-19	Unlikely there will be a material impact
Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	1-Apr-19	Unlikely there will be a material impact
GRAP 110 (as amended 2016): Living and Non-living Resources	1-Apr-19	Unlikely there will be a material impact
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	1-Apr-19	Unlikely there will be a material impact
GRAP 8 (as revised 2010): Interests in Joint Ventures	1-Apr-19	Unlikely there will be a material impact
GRAP 18 (as amended 2016): Segment Reporting	1-Apr-19	Unlikely there will be a material impact
GRAP 20: Related parties	1-Apr-19	Unlikely there will be a material impact
GRAP 32: Service Concession Arrangements: Grantor	1-Apr-19	Unlikely there will be a material impact
GRAP 105: Transfers of functions between entities under common control	1-Apr-19	Unlikely there will be a material impact
GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	1-Apr-19	Unlikely there will be a material impact
GRAP 107: Mergers	1-Apr-19	Unlikely there will be a material impact
GRAP 108: Statutory Receivables	1-Apr-19	Unlikely there will be a material impact
GRAP 109: Accounting by Principals and Agents	1-Apr-19	Unlikely there will be a material impact
IGRAP 11: Consolidation – Special purpose entities	1-Apr-19	Unlikely there will be a material impact
IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	1-Apr-19	Unlikely there will be a material impact
IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	1-Apr-19	Unlikely there will be a material impact
IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	1-Apr-19	Unlikely there will be a material impact

Notes to the Financial Statements

Figures in R	2020	Restated 2019

3. Inventories

Inventories comprise:

Consumable stores	3 199 028	3 731 795
Land inventory	56 397 618	57 516 257
	59 596 646	**61 248 052**

During the year, the Municipality identified land not yet registered with deeds office that belongs to the Municipality. The Municipality sold residential and business landsites at net realisable value during the year.

Notes to the Financial Statements

Figures in R	2020	Restated 2019
4. Receivables from exchange transactions		
CDM advance commission	128 032 784	105 423 047
Less provision for impairment	(109 225 082)	(87 571 301)
Grants Debtors	40 000	40 000
Consumer debtors - Refuse	98 941 448	74 145 226
Less provision for impairment	(70 284 588)	(57 911 415)
	47 504 562	**34 125 557**
Ageing		
CDM advance commission - Ageing		
Current (0-30 days)	7 181 092	9 195 860
31 - 60 days	2 465 393	2 850 190
61 - 90 days	2 559 558	2 700 448
91 - 120 days	2 495 757	2 321 313
> 120 days	113 330 983	88 355 236
	128 032 784	**105 423 047**
Summary of debtors by customer classification - CDM debtor		
Business		
Current (0-30days)	372 585	1 220 920
31 days - 60 days	89 894	132 632
61 days - 90 days	77 664	134 049
91 days - 120 days	69 778	136 592
> 120 days	4 134 324	4 577 246
	4 744 244	**6 201 439**
Domestic		
Current(0-30days)	6 219 434	1 656 234
31 days - 60 days	2 203 063	2 482 341
61 days - 91 days	2 315 063	2 378 451
91 days - 121 days	2 177 995	1 989 360
> 120 days	98 160 367	78 774 632
	111 075 921	**87 281 018**
Government		
Current(0-30days)	330 831	3 238 543
31 days - 60 days	90 393	102 019
61 days - 91 days	77 967	113 447
91 days - 120 days	163 408	117 380
> 120 days	6 430 801	4 062 669
	7 093 400	**7 634 058**

Notes to the Financial Statements

Figures in R	2020	Restated 2019
Receivables from exchange transactions continued...		
Church		
Current(0-30days)	26 266	9 236
31 days - 60 days	13 998	19 978
61 days - 90 days	14 729	12 559
91 days - 120days	12 793	16 105
> 120 days	618 211	572 001
	685 997	**629 878**
Indigents		
Current(0-30days)	231 977	3 070 927
31 days - 60 days	68 045	113 219
61 days - 90 days	74 136	61 943
91 days - 120days	71 783	61 876
> 120 days	3 987 281	368 688
	4 433 222	**3 676 654**
Total		
Current(0-30days)	7 181 092	9 195 860
31 days - 60 days	2 465 393	2 850 190
61 days - 90 days	2 559 558	2 700 448
91 days - 120 days	2 495 757	2 321 313
> 120 days	113 330 983	88 355 236
	128 032 784	**105 423 047**
Less: Allowance for impairment	(109 225 082)	(87 571 301)
	18 807 702	**17 851 746**
Reconciliation of allowance for impairment		
Balance at the beginning of the year	(87 571 301)	(62 529 659)
Contribution to allowance for impairment	(21 653 781)	(25 041 642)
	(109 225 082)	**(87 571 301)**
Refuse		
Current (0 -30 days)	3 706 167	3 269 026
31 - 60 days	1 764 619	1 551 114
61 - 90 days	1 760 663	1 671 461
91 - 120 days	1 731 912	1 513 090
121 - 365 days	14 418 770	8 936 380
> 365 days	75 559 318	57 353 412
	98 941 449	**74 294 483**

Notes to the Financial Statements
Figures in R

	2020	Restated 2019
Receivables from exchange transactions continued...		
Summary of debtors by customer classification - Refuse		
Business		
Current (0-30days)	555 395	466 554
31 days - 60 days	241 306	201 045
61 days - 90 days	252 727	188 981
91 days - 120 days	246 804	199 005
121 days - 365 days	1 800 281	1 327 573
> 365 days	12 275 563	8 419 495
	15 372 076	**10 802 653**
Domestic		
Current(0-30days)	2 408 850	2 377 446
31 days - 60 days	1 193 781	1 181 111
61 days - 91 days	1 180 676	1 316 643
91 days - 121 days	1 168 005	1 142 720
121 days - 365 days	10 117 801	7 107 540
> 365 days	52 110 956	42 198 376
	68 180 067	**55 323 836**
Government		
Current(0-30days)	467 794	210 645
31 days - 60 days	195 353	99 652
61 days - 91 days	195 247	97 588
91 days - 120 days	187 402	95 113
121 days - 365 days	1 338 641	534 034
> 365 days	4 531 498	3 313 107
	6 915 935	**4 350 140**
Church		
Current(0-30days)	16 461	19 810
31 days - 60 days	8 095	9 869
61 days - 90 days	8 059	9 789
91 days - 120days	7 864	9 560
121 days - 365 days	65 791	62 944
> 365 days	482 377	447 537
	588 647	**559 509**
Indigents		
Current(0-30days)	25 110	568 610
31 days - 60 days	12 595	12 150
61 days - 90 days	12 324	11 684
91 days - 120days	12 057	11 154
121 days - 365 days	99 159	69 370
> 365 days	56 164	1 360
	217 410	**674 329**

Notes to the Financial Statements

Figures in R	2020	Restated 2019
Receivables from exchange transactions continued...		
Agriculture		
Current(0-30days)	232 558	86 286
31 days - 60 days	113 489	42 343
61 days - 90 days	111 629	41 604
91 days - 120 days	109 779	40 855
121 days - 365 days	997 097	228 550
> 365 days	6 102 761	2 144 378
	7 667 313	**2 584 016**
Total		
Current(0-30days)	3 706 167	3 729 350
31 days - 60 days	1 764 619	1 546 171
61 days - 90 days	1 760 663	1 666 290
91 days - 120 days	1 731 912	1 498 407
121 days - 365 days	14 418 770	9 330 013
> 365 days	75 559 318	56 524 252
	98 941 449	**74 294 483**
Less: Allowance for impairment	(70 284 588)	(57 911 415)
	28 656 861	**16 383 068**
Reconciliation of allowance for impairment		
Balance at the beginning of the year	(57 911 415)	(49 308 677)
Contribution to allowance for impairment	(12 373 173)	(8 602 738)
	(70 284 588)	**(57 911 415)**

Consumer debtors pledged as security

No consumer debtors were pledged as security for any liabilities.

Fair value of consumer debtors

The fair value of consumer debtors approximates the carrying amount thereof.

	2020	Restated 2019

5. Receivables from non-exchange transactions

Fines	5 350 650	12 275 757
Less: Provision for impairment - Fines	(4 184 394)	(9 724 479)
Sundry debtors	5 639 180	5 186 429
Consumer Debtors -Rates	133 568 221	118 599 840
Less: Provision for impairment - Rates	(83 282 514)	(73 943 312)
	57 091 143	52 394 235

Rates - Ageing		
Current (0-30 days)	4 341 827	3 947 232
31 - 60 days	2 019 954	1 884 185
61 - 90 days	1 903 623	1 741 486
91 - 120 days	1 808 857	1 730 161
121 - 365 days	15 390 977	13 351 479
> 365 days	108 102 982	95 945 297
	133 568 221	118 599 840

Summary of debtors by customer classification - Rates

Business		
Current (0-30days)	578 152	440 360
31 days - 60 days	253 396	178 694
61 days - 90 days	238 233	144 636
91 days - 120 days	161 733	138 623
121 days - 365 days	1 079 776	891 720
> 365 days	14 010 796	13 461 387
	16 322 087	15 255 421

Domestic		
Current(0-30days)	1 941 361	1 842 908
31 days - 60 days	962 283	906 196
61 days - 91 days	965 028	901 894
91 days - 121 days	951 800	897 000
121 days - 365 days	8 348 639	7 024 280
> 365 days	69 426 763	61 393 079
	82 595 874	72 965 358

Government		
Current(0-30days)	1 287 535	1 093 220
31 days - 60 days	564 156	538 770
61 days - 91 days	463 636	438 439
91 days - 120 days	458 957	438 275
121 days - 365 days	4 044 992	3 476 481
> 365 days	13 006 279	9 207 573
	19 825 555	15 192 759

Notes to the Financial Statements

Figures in R	2020	Restated 2019
Receivables from non-exchange transactions continued...		
Indigents		
Current(0-30days)	28 557	25 361
31 days - 60 days	12 977	12 408
61 days - 90 days	12 855	12 310
91 days - 120days	12 588	12 137
121 days - 365 days	97 549	81 084
> 365 days	90 293	11 172
	254 820	**154 472**
Agriculture		
Current(0-30days)	506 223	545 383
31 days - 60 days	227 141	248 116
61 days - 90 days	223 871	244 206
91 days - 120 days	223 779	244 125
121 days - 365 days	1 820 021	1 877 913
> 365 days	11 568 850	11 872 085
	14 569 885	**15 031 829**
Total		
Current(0-30days)	4 341 827	3 947 232
31 days - 60 days	2 019 954	1 884 185
61 days - 90 days	1 903 623	1 741 486
91 days - 120 days	1 808 857	1 730 161
121 days - 365 days	15 390 977	13 351 479
> 365 days	108 102 982	95 945 297
	133 568 221	**118 599 840**
Less: Allowance for impairment	(83 282 514)	(73 943 312)
	50 285 707	**44 656 528**
Reconciliation of provision for impairment - Rates		
Opening balance	(73 943 312)	(66 491 330)
Contribution to allowance	(9 339 202)	(7 451 982)
	(83 282 514)	**(73 943 312)**
Traffic Fines		
Traffic fines	5 350 650	12 275 757
Less: Provision for impairment	(4 184 394)	(9 724 479)
	1 166 256	**2 551 278**
Reconciliation of provision for impairment - Traffic fines		
Opening balance	(9 724 479)	(9 369 439)
Contribution to allowance	5 540 085	(355 040)
	(4 184 394)	**(9 724 479)**

Consumer debtors pledged as security

No consumer debtors were pledged as security for any liabilities.

	2020	Restated 2019

Receivables from non-exchange transactions continued...

Fair value of consumer debtors
The fair value of consumer debtors approximates the carrying amount thereof.

Consumer Debtors impaired
The amount of the provision for impairment was:

Traffic fines	4 184 394	9 724 479
Consumer debtors - Refuse	70 284 588	57 911 415
Consumer debtors - Rates	83 282 514	73 943 312

Interest raised for the period
During the 2019/2020 financial year, interest on outstanding receivables were calculated at a rate of 10% (2019: 10%) as per tarriff structure

6. VAT Receivable/(Payable)

Value added tax	1 521 059	(5 327 508)

7. Cash and cash equivalents

Cash and cash equivalents comprise:

Cash on hand	7 011	18 840
FNB Paymaster account	1 576 831	1 994 397
Call deposits	13 186 851	83 867 594
FNB revenue account	1 770 849	2 708 012
FNB salaries account	976 537	708 918
Nedbank call account	5 056	-
Standard Bank Investments	50 423 288	-
ABSA Investments	50 000 000	-
Nedbank Investments	50 557 626	-
VBS Mutual bank (3 Months notice)	50 000 000	50 000 000
VBS Mutual bank (12 Months notice)	100 000 000	100 000 000
	318 504 049	239 297 761
Provision for impairment	(150 000 000)	(150 000 000)
	168 504 049	**89 297 761**

The municipality has made provision for the impairment of VBS Mutual bank because of the uncertainty regarding the recovery of the investment of R150 000 000 (2019: R 150 000 000).

Restated

Cash and cash equivalents continued...

The municipality had the following bank accounts

Account number / Description	Bank statement balances			Cash book balances		
	June 30 2020	June 30 2019	June 30 2018	June 30 2020	June 30 2019	June 30 2018
Primary bank accounts						
Paymaster General Account - FNB - 6206-334-5790	1 627 309	1 999 341	4 645 909	1 576 831	1 994 397	4 709 941
Revenue Account - FNB - 6206-334-2720	1 842 494	2 708 012	5 070 241	1 770 849	2 708 012	5 270 319
Salaries Account - FNB - 6206-334-5980	976 537	808 918	1 532 756	976 537	708 918	1 532 756
Money Market Account - FNB - 6206-335-6888	13 186 851	83 867 594	46 869 114	13 186 851	83 867 594	46 869 114
Nedbank call account	5 056	-	-	5 056	-	-
	17 638 247	**89 383 865**	**58 118 020**	**17 516 124**	**89 278 921**	**58 382 130**

						Restated
Cash and cash equivalents continued...						
Investments						
Standard Bank - 60 Days	50 423 288	-	-	50 423 288	-	-
ABSA Bank - 90 Days	50 000 000	-	-	50 000 000	-	-
Nedbank	50 557 626	-	-	50 557 626	-	-
3 month Call Account - VBS Mutual Bank - (Impaired)	-	50 000 000	51 435 340	50 000 000	50 000 000	-
12 month Call Account - VBS Mutual Bank (Impaired)	-	100 000 000	103 908 484	100 000 000	100 000 000	-
	150 980 914	150 000 000	155 343 824	300 980 914	150 000 000	-
	168 619 161	239 383 865	213 461 844	318 497 038	239 278 921	58 382 130

Figures in R	2020	Restated 2019

8. Investment property

Balances at year end and movements for the year

Balance at start of year		
At fair value	133 901 000	99 316 000
Net book value	**133 901 000**	**99 316 000**
Movements for the year		
Gains (losses) on fair value adjustment	12 740 000	10 098 000
Prior period adjustment	-	24 487 000
Investment property at end of year	**146 641 000**	**133 901 000**
Closing balance at end of year		
At fair value	146 641 000	133 901 000
Net book value	**146 641 000**	**133 901 000**

Pledged as security

No investment properties was pledged as security for liabilities.

Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

At year end, an assessment was conducted on all land owned by the municipality. It was found that certain land met the recognition criteria for investment property and a prior period adjustment was then made to recognise the land as investment property in terms of the requirements of GRAP 16.

The Lepelle- Mkumpi Municipal valuations is based on the valuation roll which is reviewed every five years. The last valuation roll came into effect on 1 July 2017. Supplementary valuations are issued and processed annually to take into account changes in individual property value due to alterations and subdivisions.

Restated

9. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	459 941 100	(372 823 000)	87 118 100	459 941 100	(372 823 000)	87 118 100
Buildings	121 620 618	(50 072 811)	71 547 807	169 995 069	(94 684 629)	75 310 440
Infrastructure	345 873 022	(80 569 659)	265 303 363	338 169 757	(67 713 075)	270 456 682
Community Assets	228 747 961	(77 797 568)	150 950 393	225 271 849	(66 875 219)	158 396 630
Capital work in progress	158 853 833	(2 357 425)	156 496 408	98 818 133	(2 357 425)	96 460 708
Leased Assets	1 517 724	(1 517 724)	-	1 517 724	(1 517 724)	-
Other Movable assets	62 029 481	(35 790 007)	26 239 474	66 287 966	(31 567 068)	34 720 898
	1 378 583 739	**(620 928 194)**	**757 655 545**	**1 360 001 598**	**(637 538 140)**	**722 463 458**

Notes to the Financial Statements
Figures in R

Restated

Property, plant and equipment continued...

Balances at year end and movements for the year

	Land	Buildings	Infrastructure	Community Assets	Capital work in progress	Leased Assets	Other Movable assets	Total
Reconciliation for the year ended 30 June 2020								
Balance at 1 July 2019								
At cost	459 941 100	169 995 069	338 169 757	225 271 849	98 818 142	1 517 724	66 287 966	**1 360 001 607**
Accumulated depreciation and impairment	(372 823 000)	(94 684 629)	(67 713 075)	(66 875 219)	(2 357 425)	(1 517 724)	(31 567 068)	**(637 538 140)**
Carying value	**87 118 100**	**75 310 440**	**270 456 682**	**158 396 630**	**96 460 717**	**-**	**34 720 898**	**722 463 467**
Movements for the year ended 30 June 2020								
Additions	-	-	-		71 637 175	-	118 040	**71 755 215**
Transfers	-		8 125 364	3 476 112	(11 601 476)	-	-	-
Depreciation	-	(3 432 145)	(13 056 576)	(7 897 826)	-		(4 743 326)	**(29 129 873)**
Impairment loss recognised in surplus or deficit	-	(330 488)	(222 108)	(3 024 524)	-	-	(19 200)	**(3 596 319)**
Disposals	-	-	-	-	-	-	(3 836 938)	**(3 836 938)**
Property, plant and equipment at end of year	**87 118 100**	**71 547 807**	**265 303 362**	**150 950 392**	**156 496 416**	**-**	**26 239 474**	**757 655 551**
Closing balance at 30 June 2020								
At cost	459 941 100	121 620 618	345 873 022	228 747 961	158 853 842	1 517 724	62 029 481	**1 378 583 748**
Accumulated depreciation and impairment	(372 823 000)	(50 072 811)	(80 569 659)	(77 797 568)	(2 357 425)	(1 517 724)	(35 790 007)	**(620 928 194)**
Net book value	**87 118 100**	**71 547 807**	**265 303 363**	**150 950 393**	**156 496 417**	**-**	**26 239 474**	**757 655 554**

Notes to the Financial Statements

Figures in R

Restated

Property, plant and equipment continued...

Reconciliation for the year ended 30 June 2019	Land	Buildings	Infrastructure	Community Assets	Capital work in progress	Leased Assets	Other Movable assets	Total
Balance at 1 July 2018								
At cost	161 597 200	167 836 167	305 524 276	216 830 092	87 113 843	1 517 724	70 326 943	1 010 746 245
Accumulated depreciation and impairment	(111 952 200)	(84 789 541)	(55 571 286)	(58 883 435)	-	(1 306 929)	(28 761 953)	(341 265 344)
Net book value	49 645 000	83 046 626	249 952 990	157 946 657	87 113 843	210 795	41 564 990	669 480 901
Movements for the year ended 30 June 2019								
Additions from acquisitions	-	-	-	-	50 138 145	-	471 152	50 609 297
Transfers	-	2 064 579	27 906 858	8 462 409	(38 433 846)	-	-	-
Depreciation	-	(3 954 403)	(12 227 577)	(7 817 788)	-	(210 795)	(7 069 242)	(31 279 805)
Impairment loss recognised in surplus or deficit	-	(5 931 011)	-	(176 289)	(2 357 425)	-	-	(8 464 725)
Prior period adjustment	37 473 100	84 649	4 824 411	(18 359)	-	-	76 542	42 440 343
Disposals	-	-	-	-	-	-	(322 544)	(322 544)
Property, plant and equipment at end of year	87 118 100	75 310 440	270 456 682	158 396 630	96 460 717	-	34 720 898	722 463 467
Closing balance at 30 June 2019								
At cost	459 941 100	169 995 069	338 169 757	225 271 849	98 818 142	1 517 724	66 287 966	1 360 001 607
Accumulated depreciation and impairment	(372 823 000)	(94 684 629)	(67 713 075)	(66 875 219)	(2 357 425)	(1 517 724)	(31 567 068)	(637 538 140)
Net book value	87 118 100	75 310 440	270 456 682	158 396 630	96 460 717	-	34 720 898	722 463 467

Figures in R	2020	Restated 2019

Property, plant and equipment continued...

Additional disclosures

Assets whose title is restricted and pledged as security
No property, plant and equipment were pledged as security for any financial liability.

Transfer of land
The municipality was established on the 15 portions of Voorspoed farm land donated by the Department of Public Works. The 15 portions of the land are registered in the name of the Municipality at the Office of the Deeds Registry.The Municipality, using experts, has calculated the extent of the township and withdrawn the extent value from the parent farm and valued the remaining extent from the primarily public service infrastractures and servitudes.

Details of properties
A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

During the year the useful lives of the property plant and equipment was reviewed.

The estimated useful lives for certain assets has been adjusted. The effect of the change in accounting estimate has been disclosed in note number 35

Certain assets that were previously recognised as expenditure were capitalised during the current and previous financial year.

During the financial year, the municipality has received amounts for reimbursement due to loss of assets from the insurer. The amounts received are detailed below:

An amount of R30 081 has been received from Guard Risk Holdings Limited for laptops stolen.

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Buildings	154 005	87 027
Infrastructure	3 192 986	10 408 172
Other Assets	372 006	805 870
	3 718 997	**11 301 068**

Work in progress

Reconciliation of Work in progress 2020	Included within buildings	Included within Community assets	Included within Infrastructure	Total
Opening balance	26 503 754	15 581 384	54 375 579	96 460 717
Additions/capital expenditure	-	13 167 095	58 470 082	71 637 177
Transfers to completed projects	-	(3 476 113)	(8 125 364)	(11 601 476)
Impairment	-	-	-	-
	26 503 754	**25 272 366**	**104 720 297**	**156 496 418**

	2020	Restated 2019

Property, plant and equipment continued...

Reconciliation of Work in progress 2019	Included within buildings	Included within Community assets	Included within Infrastructure	Total
Opening balance	26 894 661	15 860 965	44 358 217	87 113 843
Prior period adjustment	-	-	-	-
Additions/capital expenditure	4 031 097	8 182 828	37 924 221	50 138 146
Transfers to completed projects	(2 064 579)	(8 462 409)	(27 906 859)	(38 433 847)
Impairment	(2 357 425)	-	-	(2 357 425)
	26 503 754	**15 581 384**	**54 375 579**	**96 460 717**

Included in the WIP is R5 207 595 relating to electrical projects (electrification of households) that the municipality is undertaking on behalf of Eskom. These projects will be handed over to Eskom upon completion.

The following projects are identified as slow moving:

Project description	Reason for slow moving	Amount
Revitalision municipal building (Civic)	In progress (under investigation)	3 158 329
Development of sites residential (project was impaired with amount of R2 357 425)	In progress (land invaded)	-
Rakgoatha community hall	In progress (contractor previously abondoned the site)	4 095 104
Upgrading of VTS from Grade B to A	In progress (budget constrains)	609 114
Upgrading of Malakabaneng road to tar	In progress (budget constrains)	775 232
Extension of Municipal offices	In progress (Delay in finalisation of payment dispute)	20 870 251
Construction of Magatle Thusong centre	In progress (budget constrains)	1 496 455
Construction of Lebowakgomo stadium	In progress (budget constrains)	357 433
Construction of Madisha Ditoro Community hall	In progress (Contactor terminated, the project is on readvert for completion)	3 822 565
Construction of Dublin Community hall	In progress (budget constrains)	3 830 170
Construction of Mathibela Stormwater	In progress (budget constrains)	1 336 726
Construction of Rakgoatha Stormwater	In progress (budget constrains)	932 530
Highmast lights Marulaleng	In progress (Awaiting ernegisation by Eskom)	207 442
Highmast lights - Makgothane	In progress (Awaiting ernegisation by Eskom)	207 442
Highmast lights - Landfill site	In progress (Awaiting ernegisation by Eskom)	207 442
Highmast lights - Makaepea	In progress (Awaiting ernegisation by Eskom)	207 442
Electrification - Mashite	In progress (budget constrains)	36 221
Electrification - Mamogaswa	In progress (budget constrains)	175 674
Electrification - Mawaneng	In progress (budget constrains)	34 223
Electrification - Matime	In progress (budget constrains)	17 208
Electrification - Mathibela	In progress (budget constrains)	83 154
Electrification - Manaileng	In progress (budget constrains)	83 154
Electrification - Bolahlakgomo	In progress (budget constrains)	105 725
		42 649 032

Included in Capital work in progress are the following completed projects that have not been capitalised:

Project description	Reason for not capitalising	Amount
Drilling and equiping of borehole at Municipal offices	Project under investigation	369 607
		369 607

Figures in R	2020	Restated 2019

10. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	938 145	(783 391)	154 754	855 810	(639 873)	215 937

Reconciliation of changes in intangible assets

	Computer software	Total
Reconciliation for the year ended 30 June 2020		
Balance at 1 July 2019		
At cost	855 810	855 810
Accumulated amortisation	(639 873)	(639 873)
Net book value	**215 937**	**215 937**
Movements for the year ended 30 June 2020		
Acquisitions	82 335	82 335
Amortisation	(143 518)	(143 518)
Intangible assets at end of period	**154 754**	**154 754**
Closing balance at 30 June 2020		
At cost	938 145	938 145
Accumulated amortisation	(783 391)	(783 391)
Net book value	**154 754**	**154 754**
Reconciliation for the year ended 30 June 2019		
Balance at 1 July 2018		
At cost	545 251	545 251
Accumulated amortisation	(401 787)	(401 787)
Net book value	**143 464**	**143 464**
Movements for the year ended 30 June 2019		
Acquisitions	507 864	507 864
Amortisation	(507 863)	(507 863)
Prior period adjustment	72 472	72 472
Intangible assets at end of period	**215 937**	**215 937**
Closing balance at 30 June 2019		
At cost	855 810	855 810
Accumulated amortisation	(639 873)	(639 873)
Net book value	**215 937**	**215 937**

Intangible assets comprise of computer software.

	2020	Restated 2019

11. Heritage assets

Balances at year end and movements for the year

Reconciliation for the year ended 30 June 2020		Total
Balance at 1 July 2019	183 684	183 684
Gross carrying amount	183 684	183 684
Net carrying amount		
Closing balance at 30 June 2020	183 684	183 684
Gross carrying amount	183 684	183 684
Net carrying amount		

Reconciliation for the year ended 30 June 2019		
Balance at 1 July 2018	183 684	183 684
Gross carrying amount	183 684	183 684
Net carrying amount		
Closing balance at 30 June 2019	183 684	183 684
Gross carrying amount	183 684	183 684
Net carrying amount		

Heritage assets comprise of Art collections, antiquities and exhibits.

12. Payables from exchange transactions

Payables from exchange transactions comprise:

Trade payables	195 889	3 408
Retentions	27 939 358	24 530 695
Leave provision	13 184 845	11 358 670
Bonus provision	2 718 497	2 570 934
Traffic department creditor	48 714	48 714
Debtors with credit balances	1 903 587	2 582 275
CDM Advance Account: R&M	68 169	68 169
Accruals	23 927 150	4 728 896
Bank suspense	4 152	-
CDM Creditor	27 537 847	15 426 422
Deposits Various	145 016	136 616
Unallocated deposits	5 082 340	4 685 779
Traffic department - 80:20 Split	1 470 961	920 894
SABS	161	228
Prodiba	34 839	64 306
Road transport management	133 759	91 279
Total payables from exchange transactions	104 395 284	67 359 774

The fair value of trade and other payables approximates their carying amounts

Notes to the Financial Statements

Figures in R	2020	Restated 2019

13. Consumer deposits

Consumer deposits	1 961 236	1 926 836

No interest is paid on consumer deposits

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise the following balances

MIG	16 026 664	16 167 540
Integrated National Electrification Programme	-	1 726 947
Finance management grant	165 846	500 000
CDM : Halls	6 135	6 135
CDM : Stadiums	300 000	300 000
CDM : Eradication of Alien Plants	16 455	16 455
CDM : Integrated Transport plan	377 308	377 308
	16 892 408	**19 094 385**

Conditional Grants
The amounts will be recognised as revenue when conditions have been met.

See note 23 for reconciliation of grants from National/Provincial Government.

The extent of government grants recognised in the Statement of financial performance relates to the portion of the grant where the conditions have been met.

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as a liability in the Statement of financial position.

15. Provisions

The total amounts recognised in the statement of financial position are as follows:

Environmental rehabilitation	893 793	852 187
Long service awards	3 365 099	4 380 454
	4 258 892	**5 232 641**

Reconciliation of provisions - 2020	Opening balance	Additions	Reductions	Closing balance
Environmental rehabilitation	852 187	41 606	-	893 793
Long service awards	4 380 454	580 776	(1 596 131)	3 365 099
	5 232 641	**622 382**	**(1 596 131)**	**4 258 892**

Reconciliation of provisions - 2019	Opening balance	Additions	Reductions	Total
Environmental rehabilitation	4 560 719	237 157	(3 945 689)	852 187
Long service awards	3 784 728	783 456	(187 730)	4 380 454
	8 345 447	**1 020 613**	**(4 133 419)**	**5 232 641**

	2020	Restated 2019

Provisions continued...

15.1 Environmental rehabilitation provision

The provision is made in terms of the licensing stipulations. The Provision has been determined on the basis of the recent independent study by taking into account a number of factors to the design, manner of operations and rehabilitation measures proposed which was assessed, investigated and tested. There is no anticipated environmental harm, groundwater pollution, leachate leakage that could be found. The municipality did not alter any structure and infrustructure to the existing landfill.

In the previous AFS a landfill closure provision was disclosed for this landfill but a methodology different from the methodology used in the GLCCM was used. This resulted in a significant decrease in the provision.

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last three months amounted to 2.4107%.

The difference between the current year's provision and the provision recalculated for last year is due to unwinding of the provision.

Rehabilitation and closure report was compiled by Environmental and Sustainability Solutions CC appointed by the Council.

Changes in the present value of provision for landfill rehabilitation are as follows:

Opening balance	852 187	4 560 719
Additions	41 606	237 157
Prior period error adjustment	-	(3 945 689)
	893 793	**852 187**

Figures in R	2020	Restated 2019

Provisions continued...

15.2 Long Service Award

Employees qualify for the long service awards in terms of the SALGA collective agreement: The employees will qualifies for long service award for every five years of service completed , from ten years of service to 45 years of services in the following manner:

- 10 year	4%
- 15 years	8%
- 20-45 years	12%

In the month that each "Completed Service" milestone is reached, the employee is granted a long service award. Working days awarded are value at 1/250 of annual salary per day.

An actuarial valuation of the obligation has been performed by One Pangea Expertise and Solutions on all 215 employees that are entitled to long service awards as at 30 June 2020.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Long service awards - Non current portion	2 781 466	3 898 266
Long service awards - Current portion	583 633	482 188
	3 365 099	**4 380 454**

Changes in the present value of the defined benefit obligation are as follows:

Long service awards		
Opening balance	4 380 454	3 784 728
Net expense or (gain) recognised in the statement of financial performance	(1 015 355)	595 726
	3 365 099	**4 380 454**

Net expense or (gain) recognised in the statement of financial performance in Employee cost.

Current service cost	320 795	469 768
Interest cost	259 981	313 688
Benefit vesting	(482 188)	(187 730)
Acturial (gains) or losses	(1 113 943)	-
	(1 015 355)	**595 726**

16. Service charges

Refuse removal (Lebowakomo)	6 114 777	5 806 869
Landfill proceeds	37 160	35 830
	6 151 937	**5 842 699**

	2020	Restated 2019
17. Rental of facilities and equipment		
Rental of Communication Network	163 372	247 417
Rental of facilities	206 382	275 071
Rental of equipment	1 087	609
	370 841	**523 097**

Operating leases - as lessor (income)

Certain of the municipality's properties are held to generate rental income. At the reporting date the Municipality has operating lease agreements with various ternants. The minimum lease receivable under operating leases will fall due as follows:

	Not later than one year	in second to fifth year inclusive	later than five years
Minimum lease receivable	187 229	408 332	7 611 348

18. Water and Sanitation : Commission earned		
Commission received from sale of water	23 285 023	28 636 374
	23 285 023	**28 636 374**

The commission received from Capricorn District Municipality for the collection of revenue relating to water and sanitation on behalf of the District Municipality. The current signed SLA allows Lepele-Nkumpi to receive 30% of the revenue collected during the current year (2019: 30%).

19. Agency fees: Licences and permits		
Licences and permits: Department of transport	3 551 687	4 305 715
	3 551 687	**4 305 715**

Notes to the Financial Statements

Figures in R	2020	Restated 2019
20. Other Revenue		
Tender Revenue	261 002	462 177
Application fees: pto - residential	1 626	1 730
Transfer of property	73 174	62 038
Advertising boards	29 930	103 302
Building plans: bussiness	55 995	137 616
2.5% commission on insurance	16 059	17 494
Burial fees	70 348	65 609
Building plans : Residential	63 170	91 447
Building plans : Rural	4 536	-
Connection fees: water	38 036	22 356
Skills development program	222 036	154 660
Application fees: pto - bussiness	5 009	11 534
Cattle Pound	29 391	68 575
Rubble	-	915
Consolidation fees	722	1 913
Drain blockage	2 027	2 795
Rezoning application	3 926	2 304
Connection sewerage fees	-	3 574
Instructor certificate	1 029	780
Clearance certificate	31 254	30 434
Sale of Sites	1 068 061	6 186 809
Proof of residence	90 411	82 921
Special consent	17 699	1 965
Stop Clock	262	396
Mortgage Bonds	2 544	15 102
Sundry Income	10 199 332	466 318
Relocations of Beacons	6 222	8 478
Library Services	766	2 738
Reconnection fees	9 031	-
Disconnection fees	293	-
Writen consent	2 191	-
Replacement of meters	565	-
	12 306 647	**8 005 980**
21. Finance Income		
Interest receivable - Accounts receivable	14 231 657	15 853 963
Interest receivable - External Investments	8 283 310	5 315 448
Interest receivable - Current accounts	11 292	5 426
	22 526 259	**21 174 837**

	2020	Restated 2019
22. Property rates		
Rates received	12 030 874	11 356 722
Residential	5 738 763	5 539 648
Commercial	7 515 385	7 142 210
State	2 901 422	2 889 098
Agriculture	**28 186 444**	**26 927 678**
Valuations	2 706 305 140	2 698 513 140
Residential	879 846 000	880 286 000
Commercial	2 254 564 100	2 915 159 000
State	2 915 159 000	2 262 336 100
Small holdings and farms	**8 755 874 240**	**8 756 294 240**

Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Unbilled properties
During the year, the municipality have assessed the ownership of the properties that did not include the name of the registered owner.
In terms of paragraph 24(1) of Local Government Municipal property rates Act No 6 of 2004, "A rate levied by a municipality on a property must be paid by the owner of the property". The owner is defined as a person in whose name ownership of the property is registered.

Some of the properties belonging to the Municipality have been invaded therefore, the occupants of these properties are not known to the Municipality.

As a result, the Municipality did not recognise revenue (and a related receivable) from property rates for these properties.

The balance of these properties relates to RDP houses allocated to beneficiaries by COGHSTA and not yet registerd in their names.

The municipality have appointed conveyancers to initiate the process of registering the RDP houses in the name of the beneficiaries. Property rates will be levied on these properties upon finalisation of the registration process.

The total revenue forgone is as below:

Category		
Residential	1 249 961	1 183 675
Business	352 908	334 194
	1 602 869	**1 517 868**

Notes to the Financial Statements

Figures in R	2020	Restated 2019
23. Government grants and subsidies		
Operating grants		
Equitable share	250 041 479	222 970 000
Finance management grant	1 979 154	1 645 000
EPWP	1 172 000	1 758 000
LED Learnership	-	327 926
Department of Minerals & Energy - INEP	-	8 271 053
Disaster management grant	298 000	-
	253 490 633	**234 971 979**
Capital grants		
Municipal Infrastructural Grant	38 047 345	24 881 296
	291 537 978	**259 853 275**

Conditional and Unconditional
Included in above are the following grants and subsidies received:

Equitable Share
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Finance Management Grant (FMG)		
Balance unspent at beginning of year	500 000	500 000
Current-year receipts	2 145 000	2 145 000
Conditions met - transferred to revenue	(1 979 154)	(1 645 000)
Withheld	(500 000)	(500 000)
Unspent amount transferred to liabilities	**165 846**	**500 000**

Conditions still to be met - remain liabilities (see note 14).

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003.

Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	16 167 540	(954 164)
Current year receipts	54 074 000	42 003 000
Conditions met - transferred to revenue	(38 047 345)	(24 881 296)
Withheld	(16 167 532)	-
Unspent amount transferred to liabilities	**16 026 663**	**16 167 540**

Conditions still to be met - remain liabilities (see note 14).

This grant were used to construct municipal infrastructure to provide basic services for the benefit of poor households.

	2020	Restated 2019
Government grants and subsidies continued...		
Intergrated National Electrification Programme (DME)		
Balance unspent at beginning of year	1 726 947	6 580 000
Current-year receipts	-	9 998 000
Conditions met - transferred to revenue	-	(8 271 053)
Withheld	(1 726 947)	(6 580 000)
Unspent amount transferred to liabilities	-	**1 726 947**

There are no conditions still to be met in the current year (see note 14).

This grant were used to construct municipal infrastructure to provide basic services for the benefit of poor households.

LED Learnership		
Balance unspent at beginning of year	-	327 926
Conditions met - transferred to revenue	-	(327 926)
Unspent amount transferred to liabilities	-	-

There are no conditions still to be met in the current year (see note 14).

EPWP		
Current year receipts	1 172 000	1 758 000
Conditions met - transferred to revenue	(1 172 000)	(1 758 000)
Unspent amount transferred to liabilities	-	-

Conditions were met. No unspent grant remain. (see note 14).

CDM:Refurbishment of Mamaolo Hall		
Balance unspent at beginning of year	6 135	6 135
Unspent amount transferred to liabilities	**6 135**	**6 135**

Conditions still to be met - remain liabilities (see note 14).

CDM:Seleteng Diamond Softball		
Balance unspent at beginning of year	300 000	300 000
Unspent amount transferred to liabilities	**300 000**	**300 000**

Conditions still to be met - remain liabilities (see note 14).

CDM Eradication of Alien Plants		
Balance unspent at beginning of year	16 455	16 455
Unspent amount transferred to liabilities	**16 455**	**16 455**

Conditions still to be met - remain liabilities (see note 14).

Figures in R	2020	Restated 2019
Government grants and subsidies continued...		
CDM Integrated Transport plan		
Balance unspent at beginning of year	377 308	377 308
Unspent amount transferred to liabilities	**377 308**	**377 308**

Conditions still to be met - remain liabilities (see note 14).

CDM Waste management Cleaning		
Balance unspent at beginning of year	(40 000)	(40 000)
Transfered to Receivables	**(40 000)**	**(40 000)**

Conditions were met and the grant was overspent by R40 000 during the 2019 financial year. This amount is disclosed under debtors. (see note 4).

Disaster management grant		
Current year receipts	298 000	-
Conditions met - transferred to revenue	(298 000)	-
Unspent amount transferred to liabilities	**-**	**-**

Conditions were met. No unspent grant remain (see note 14).

24. Fair value gains or (losses)

Fair value on land	12 740 000	10 098 000
Actuarial gain on remeasurement of Long service award.	1 113 943	-
	13 853 943	**10 098 000**

In 2020 financial year, a revaluation was performed on Investment properties which consists of vacant land (encroached land, residential stands, business stands and shopping malls).

Notes to the Financial Statements
Figures in R

	2020	Restated 2019
25. Employee related Cost		
Basic	64 204 486	63 319 005
Bonus	4 828 752	4 712 730
Medical aid - company contribution	3 473 186	3 162 436
UIF	426 536	437 628
SALGBC	23 654	22 821
Leave pay provision charge	2 009 435	2 237 689
Pension Funds - Company contribution	11 590 151	10 895 028
Travel, motor car, accommodation, subsistence and other allowances	7 716 519	7 225 289
Overtime payments	1 799 894	2 629 077
Long-service awards	580 775	783 457
Acting allowances	855 587	946 338
Housing benefits and allowances	283 223	278 629
FMG Intern allowance	424 868	-
	98 217 066	**96 650 127**
Remuneration of Municipal Manager - Gafane LA		
Annual Remuneration	-	-
Car Allowance	-	-
Acting allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
Leave pay out	-	-
Other allowances	2 000	-
	2 000	**-**
Remuneration of Municipal Manager - Mashamba NS		
Annual Remuneration	-	454 510
Car Allowance	-	106 944
Acting allowance	28 211	37 380
Contributions to UIF, Medical and Pension Funds	141	153 777
Leave pay out	-	50 905
Other allowances	-	12 000
	28 352	**815 516**
Remuneration of Chief Financial Officer		
Annual Remuneration	-	813 635
Car Allowance	-	-
Acting allowance	-	-
Contributions to UIF, Medical and Pension Funds	149	4 015
Leave pay out	78 109	-
Other allowances	-	24 000
	78 258	**841 650**

Notes to the Financial Statements

Figures in R	2020	Restated 2019
Remuneration of Executive directors		
Director: Technical Services		
Annual Remuneration	805 183	726 048
Acting allowance	-	-
Contributions to UIF, Medical and Pension Funds	62 797	62 887
Other allowances	24 000	24 000
	1 220 260	**1 124 098**
Director: Community Services		
Annual Remuneration	638 451	569 545
Car Allowance	255 996	244 090
Acting allowance	-	84 226
Contributions to UIF, Medical and Pension Funds	156 482	152 372
Other allowances	24 000	24 000
	1 074 929	**1 074 233**
Director: Corporate Services		
Annual Remuneration	204 295	-
Car Allowance	65 155	-
Contributions to UIF, Medical and Pension Funds	75 633	-
Other allowances	6 000	-
	351 083	**-**
Director: Strategic Planning (LED)		
Annual Remuneration	-	295 559
Car Allowance	-	142 386
Acting allowance	-	54 008
Contributions to UIF, Medical and Pension Funds	-	87 223
Other allowances	-	14 000
	-	**593 176**

Notes to the Financial Statements
Figures in R

	2020	Restated 2019
26. Remuneration of councillors		
Mayor	1 135 112	1 064 312
Chief Whip	824 355	796 073
Speaker	876 351	846 184
Executive Committee Members	5 237 206	5 053 995
Councillors	12 883 461	12 474 715
MPAC and Ethics oversite members	1 275 431	1 232 402
	22 231 918	**21 467 681**

The Mayor, Speaker and Chief Whip are employed on a full-time. Each is provided with an office and secretarial support. The Mayor has use of a Council owned vehicle.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

	Outstanding less than 90 days	Outstanding more than 90 days	Total
30-Jun-20			
Choung C.M	199	-	199
Mollo M.I	559	609	
Ramalebana L.M	223	6 940	7 163
	982	**7 549**	**7 363**

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total
30-Jun-19			
Ramokolo MM	156	-	156
Mollo MI	346	-	346
	502	**-**	**502**

27. Depreciation, Amortisation and Impairment		
Depreciation - Property, plant and equipment	29 129 873	31 279 804
Impairment of assets - Property, plant and equipment	3 596 319	8 460 500
Amortisation - Intangible assets	143 518	507 862
	32 869 711	**40 248 166**

28. Finance cost		
Interest on finance leases	-	5 836

Notes to the Financial Statements

Figures in R	2020	Restated 2019
29. Provision for impairment adjustment		
Provision for impairment - CDM water	21 653 781	25 041 642
Provision for impairment - Refuse	12 373 173	8 602 738
Provision for impairment - Traffic fines	3 925 480	355 040
Provision for impairment - Rates	12 869 902	7 416 859
	50 822 336	**41 416 279**

The provision for impairment adjustment movement for the year has been calculated as follows:

Provision per Statement of Financial Position	Note	30-Jun-20	30-Jun-19	Movement charged to Statement of Financial Performance
CDM advance commission		109 225 082	87 571 301	21 653 781
Refuse		70 284 588	57 911 415	12 373 173
Traffic fines		4 184 394	9 724 479	(5 540 085)
Rates		83 282 514	73 943 312	9 339 202
VBS Mutual Bank		150 000 000	150 000 000	-
		416 976 578	**379 150 507**	**37 826 071**

Adjustment due to write off	
Property rates	3 530 700
Traffic fines	9 465 563
	50 822 335

30. Contracted services		
Security services	14 722 826	15 671 787
Landfill site	4 262 598	4 184 413
	18 985 424	**19 856 200**

Notes to the Financial Statements

Figures in R	2020	Restated 2019
31. Gereral Expenses		
Accommodation and meals	263 879	1 427 195
Advertising	401 601	407 790
Audit committee expense	295 192	456 770
Audit fees	3 864 371	3 352 537
Bank charges	280 171	66 771
Cleaning materials	494 889	875 940
Commission on SAPO/easy pay deposits	47 005	58 186
Unknown Funerals	-	19 998
Consulting and professional fees	10 448 813	21 715 070
Cash security services	268 159	295 141
Electronic traffic fine management	-	260 865
Cattle pound	1 200	247 000
Communications	83 145	258 200
Bursaries staff	59 306	386 964
Community participation	197 405	472 551
Council Conferences and congresses	16 413	52 782
Refreshments: Mayor's office	998	6 103
Forensic services	1 186 496	317 262
Bad debts writen off	2 731 052	-
Insurance	2 731 946	1 186 194
Conferences and congresses	13 954	181 382
Council: Function	170 493	129 557
Refreshments: speakers office and EXCO	3 369	5 152
Council: skills development levy	128 442	162 748
Council: travel & subsistance	980 033	1 367 462
Council: MPAC sessions	271 367	361 239
IT support services	74 165	158 302
Greening	-	706
Disaster provision	238 038	265 147
Magazines, books and periodicals	24 377	-
LED Learnerships	-	285 153
IDP review process	205 014	802 928
Special programs	242 130	752 522
Electricity projects	-	7 303 551
Environmental and waste management	126 013	381 744
Municipal vehicles - fuel	5 456 108	8 112 291
Municipal fleet - licensing	371 502	336 703
Postage	805 526	742 288
Printing & stationary	895 169	1 991 448
Internal audit services	10 120	23 840
Protective clothing	732 420	-
Internal sporting activities	2 717	644 115
Legal fees	4 779 033	4 371 774
Membership fees	1 102 390	1 072 145
Office refreshments	1 989	9 192
OHS expenses	187 928	50 705
Subscriptions and system licencing	948 542	1 951 876
Telephone and fax	709 174	766 659
Training	226 336	316 882
Subsistance and travelling allowance	849 026	1 158 248
Refuse removal	95 100	-

Notes to the Financial Statements

Figures in R	2020	Restated 2019
Gereral Expenses continued...		
Skills development levy	549 550	636 188
SMME support	223 888	398 649
Electricity	6 128 271	2 856 078
Sports, arts and culture	-	278 261
Sector forum	9 963	16 421
Stores & materials	377 393	588 302
Risk management	37 209	47 404
Rental of office equipment	680 721	497 490
Traffic uniform & tags	82 250	64 865
Traffic expenses	32 559	49 518
Ward committees	5 359 000	5 650 447
Youth programme: campaigns	-	98 698
Rehabilitation of old dumping site	41 606	852 187
Road safety programme	70 900	310 333
Refreshments - whippery office	2 000	4 000
Workmen's compensation	428 187	928 747
Recruitment expenses	63 824	17 566
Policy development - labour relations	120	409 318
Employee wellness	89 066	72 530
Post evaluations	224 466	88 448
	57 423 489	**79 434 528**

Notes to the Financial Statements

Figures in R	2020	Restated 2019
32. Cash flows from operating activities		
Surplus for the year	**116 684 505**	**51 171 780**
Adjustments for:		
Depreciation and amortisation expense	32 869 711	40 248 166
Provisions adjustment	(973 749)	(3 112 806)
Leave and bonus provision adjustment	1 973 738	2 307 372
Fair value gains and losses	(13 853 943)	(10 098 000)
Debt impairment	50 822 336	41 416 279
Gains and losses on disposal of non-current assets	3 836 938	(150 413)
Other non cash items	(317 523)	1 715 651
Change in operating assets and liabilities:		
Inventories	1 651 406	(1 769 217)
Receivables from non-exchange transactions	(20 319 332)	(16 070 886)
Receivables from exchange transactions	(47 405 959)	(35 413 261)
Payables from exchange transactions	35 061 772	3 615 839
VAT payable/receivable	(6 848 567)	(472 896)
Unspent conditional grants	(2 201 977)	10 986 562
Consumer deposits	34 400	24 000
Net cash flows from operations	**151 013 756**	**84 398 170**

Notes to the Financial Statements

Figures in R	2020	Restated 2019

33. Commitments

Authorised Capital commitments

Already contracted for but not provided for		
Property, plant and equipment	104 307 375	106 487 106
Prior period error. Refer to Note 34	-	13 934 054
	104 307 375	**120 421 160**
Total capital commitments		
Already contracted for but not provided for	104 307 375	120 421 160

Authorised Operational Commitments

Already contracted for but not provided for		
Security services	6 393 767	23 307 490
Landfill	13 357 250	2 964 238
Integrated Transport Plan	97 052	97 052
Mphahlele Local Spatial Development	-	403 900
Printing and Folding of Monthly Municipal Statements Statements	1 622 907	2 704 690
Cash Collection Services	-	185 455
Revenue Enhancement Strategy, Debt Collection, etc.	513 750	513 750
Maintenance of Fixed Assets Register	1 237 296	2 836 696
Review of LED Strategy	13 565	185 295
Compilation of Growth and Development Strategy	1 072 597	522 547
Compilation of Tourism Plan	621 670	245 531
Zebediela Local Spatial Deelopment Framework	229 691	229 691
Preparation of Annual Financial Statements	1 647 998	1 346 650
	26 807 544	**35 542 986**
Total operational commitments		
Already contracted for but not provided for	26 807 544	33 802 827
Prior period error. Refer to Note 34	-	1 740 158
	26 807 544	**35 542 985**

Total Commitments

Authorised capital expenditure	104 307 375	120 421 160
Authorised operational expenditure	26 807 544	35 542 985
	131 114 919	**155 964 145**

This committed expenditure relates to plant and equipment, security services, strategies , landfill, etc. will be financed by available bank facilities and funds internally generated, etc, retained surpluses, grants received during the year and carried forward from prior years, etc.

The following are contracts on which the value of the commitment could not be measured at year end:

Notes to the Financial Statements

Figures in R	2020	Restated 2019

Commitments continued...

Name of Contractors	Project name / Description	Approved contract amount, Excluding VAT
Selema Plant hire	Professional Service Provider for hiring of plant	Rate based
Thalema Trading Enterprise	Supply and delivery of Protective clothing for 24 months (as and when required)	Rate based
Mavambo intelligence transport solutions (pty) ltd	Traffic fines	Rate based
Backpocket Trading and projects JV geomatics	Professional land surveying firm	Rate based
Babirwa travel agency	Travel management services	Commission based
Ngwanakadiaka Trading and projects	Supply and delivery of cleaning materials	Rate based
Agang Batau Trading and Projects	Supply and delivery of cleaning materials	Rate based
Bafana Ncube Incorporated	Appointment of panel of attorneys	Rate based
SC Mudluli attorneys INC	Appointment of panel of attorneys	Rate based
Popela Maake attorneys	Appointment of panel of attorneys	Rate based
Modise Mabule INC	Appointment of panel of attorneys	Rate based
Makhubela attorneys	Appointment of panel of attorneys	Rate based
Mahowa inc incorporated	Appointment of panel of attorneys	Rate based
Verveen attroneys	Appointment of panel of attorneys	Rate based
White hall Trading and projects	Supply and delivery of traffic uniform	Rate based
White hall Trading and projects	Supply and delivery of printing services for 24 months	Rate based
Cascade Pivotal	Supply and delivry of disaster relief materials	Rate based
Bakgaditse general trading enterprise	Supply and delivery of road maintatnce materials	Rate based
Hackfort investments Pty ltd	Supply and delivery of Catridges	Rate based
Phelane Suppiers and services	Supply and delivery of Catridges	Rate based
Mogan General trading	Supply and delivery of electrical materials	Rate based
LRP General Suppliers	Supply and delivery of photocopy papers	Rate based
Rekgothe and sons Trading and projects	Supply and delivery of photocopy papers	Rate based
Itirele Serogole Enterprise	Supply and delivery of photocopy papers	Rate based
Molaba Investment	Supply and delivery of photocopy papers	Rate based
Bohlabatsatsi Trading and projects	Supply and delivery of photocopy papers	Rate based
BCX	implementation of MSCOA (SOLAR)	Rate based
Lateral Unison	Provision of Insurance	bid price based on underwritting information and risk status
Manthabo 2 airconditioner	Cleaning of illegal dumping	Rate based
Nora elle	Supply and delivery of toilet papers and wipes	Rate based

Figures in R	2020	Restated 2019

34. Prior period errors

The following prior period errors were identified and the corrections have now been made to amounts previously reported in the annual financial statements of the Municipality.

Trade and other payables

Payables from exchange transactions were overstated by R2 467 363 due to the following:
Payables from exchange transactions were overstated by R4 931 379 relating to CDM creditor due to incorrect journals processed in the prior year.
Debtors with credit balances were overstated by R1 299 860 due to inclusion of balances relating to water transactions.
Payables from exchange transactions were understated due to non inclusion of VAT of R3 099 747 relating to Retention and R387 036 relating to Accruals. Accruals relating to general expenses were also understated by R22 795 due to ommision.
Leave provision was understated by R111 806 due to ommision of leave pay out.
Salaries accruals were understated by R142 489.

Property, plant and equipment

Land - Land was understated by R37 473 100 due properties that were not recognised and due to incorrect classification in the prior years.
Buildings - Buildings were understated by R1 753 555 due to completed projets not capitalised, assets not being recognised and change in useful life that was not accounted for in prior years.
Infrastracture - Infrastructure assets were understated by R4 832 544 due to roads infrastructure not being recognised in prior years and reclasification from community assets.
Community assets - Community assets were understated by R108 307 due to change in useful lives that was not accounted for in the prior years.
Other movable assets - Other movable assets were understaed by R629 664 due to depreciation that was incorrectly calculated in prior years and assets that were writen off in error.
Work in progress - Work in progress was overstated by R400 389 due to completed projects not capitalised and electrical projects expensed in error in the prior year.

Investment property

Investment property was understated by R30 437 171 due to properties that were not recognised and incorrect classification in the prior years.

Intangible assets

Intangible assets were understated by R101 212 due to non capitalisation of software and depreciation incorrectly calculated on intangible assets with indefinite life.

Inventory

Inventories were overstated by R30 463 759 due to land inventory which was not written down in prior years, incorrect classification and incorrect treatment of VAT in the prior years.

Value added tax

VAT payable was understated by R3 017 401 due to incorrect accounting of CDM related transactions, exclusion of VAT on retention and accruals and VAT input not accounted for on other expenses.

Receivables from exchange transactions

Receivables from exchange transactions were oversated by R10 305 813 due to overstatement of commision income and incorrect calculation of impairment.

Prior period errors continued...

Receivables from non-exchange transactions
Receivables from non-exchange transactions were oversated by R1 170 380 due to incorrect allocation of debtors with credit balances.

Water and sanitation : Commission earned
Commission earned was understated by R758 913 due to exclusion of tarrif adjustments and inclusion of VAT

Provisions
Provisions were overstated by R3 945 689 due to incorrect valuation of provision for landfil rehabilitation and the current portion of long service award was not classified as current liabilities.

General expenses
General expenses were overstated by R1 081 259 due to the following:
Electrical capital assets to the value of R1 285 527 were expensed in error.
Rehabilitation expenses were understated by R615 030 due to incorrect valuation of the provision.
Software licences to the value of R61 185 were expensed in error.
Accrual were understated by R22 795 due to ommission.
Incorrect treatment of VAT amounting to R372 371

Free basic services: Electricity
Free basic services were understated by R74 221 due to incorrect treatment of VAT.

Repairs and maintenance
Repairs and maintenance was understated by R366 392 due to incorrect treatment of VAT.

Employee related cost
Employee related cost were understated by R240 129 due to understatement of leave provision and ommission of backpay and bonus.

Remuneration of councillors
Remuneration of councillors was understated by R33 943 due to underpayment of allowances.

Depreciation and amortisation
Depreciation, impairment and amortisation was overstated by R578 771 due to incorrect calculation.

Provision for impairments adjustments
Provision for impairment adjustment was understated by R7 075 744 due to incorrect impairment of CDM debtor.

Gain on disposal of assets
Gain on disposal of assets was overstated by R16 579 due to stolen assets not written off.

Cashflow statement
The cashflow statement was reperformed with restated figures.

Irregular expenditure
Irregular expenditure was understated by R9 418 392 due to non inclusion of irregular expenditure identified during the audit.

Prior period errors continued...

Commitments
Commitments were understated by R13 934 054 due to non inclusion of the retention in the commitment amount.

Statement of financial position

	Previously reported	Correction of prior period error	Reclassification	Restated balance
Inventories	91 711 811	(30 338 959)	(124 800)	61 248 052
Reveivables from exchange transactions	44 431 370	(10 305 813)		34 125 557
Receivables from non-exchange transactions	53 564 615	(1 170 380)		52 394 235
Property, plant and equipment	678 066 677	38 503 981	5 892 800	722 463 458
Invetment property	109 414 000	30 255 000	(5 768 000)	133 901 000
Intangible assets	114 725	101 212	-	215 937
Payables from exchange transactions	(69 827 137)	2 467 363	-	(67 359 774)
VAT Receivable/(Payable)	(2 310 107)	(3 017 401)		(5 327 508)
Provisions - Non current	(9 178 330)	3 945 689	482 188	(4 750 453)
Provisions - Current	-	-	(482 188)	(482 188)
	895 987 624	**30 440 692**	**-**	**926 428 316**

Statement of Financial Performance

	Previously reported	Correction of prior period error	Reclassification	Restated balance
Water and sanitation : Commission earned	27 877 461	758 913	-	28 636 374
Gain on disposal of assets	166 992	(16 579)	-	150 413
Employee related cost	(96 409 998)	(240 129)	-	(96 650 127)
Remuneration of councillors	(21 433 738)	(33 943)	-	(21 467 681)
General expenses	(80 515 787)	1 081 259	-	(79 434 528)
Free basic services: Electricity	(3 645 727)	(74 221)		(3 719 948)
Repairs and maintenance	(7 226 775)	(366 392)		(7 593 167)
Provision for impairment adjustment	(34 340 535)	(7 075 744)	-	(41 416 279)
Depreciation, impairment and amortisation	(40 826 937)	578 771	-	(40 248 166)
	(256 355 044)	**(5 388 065)**	**-**	**(261 743 109)**

Disclosures

	Previously reported	Correction of prior period error	Reclassification	Restated balance
Commitments - Capital	106 487 106	13 934 054	-	120 421 160
Commitments - Operational	33 802 827	1 740 158	-	35 542 985
Irregular expenditure	348 773 698	9 418 392	-	358 192 090
	489 063 631	**25 092 604**	**-**	**514 156 235**

Figures in R	2020	Restated 2019

35. Change in accounting estimates

Property, plant and equipment

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice. The basis of preparation is consistent with the prior year except for the change in accounting estimate relating to Property plant and equipment. The Municipality conducted a re-assessment of the useful lives of Property plant and equipment within the current financial year. It was established that the useful lives of some categories of assets have changed.

The calculation is based on all depreciable assets at the end of 2020 financial year, comparing the actual 2020 depreciation using new useful lives to what the deprecition would have been using old usefull lives. The aggregate effect of the change in accounting estimate relating to a change in the useful life of certain categories of assets on the annual financial statements for the year ended 30 June 2020 is as follows:

Statement of Financial Performance :	
2020 - Accumulated surplus (Increase)	1 350 981
2021 and future years - Accumulated Surplus (Decrease)	(1 350 981)
Statement of financial position:	
2020 - Property, Plant and equipment (Net carrying amount)	1 350 981
2021 and future years - Property, plant and equipment (Net carrying amount)	(1 350 981)

Figures in R		2020	Restated 2019

36. Contingencies

1	DAVID MAKGADI - The municipality is sued for an amount of R72 435.17 for vehicle collision.	72 435
2	PETER MAKWELA - The municipality is sued for an amount of R812 818.10 for non-allocation a developed land for business despite been requested to do so.	812 818
3	ZACHARIAS JACOBUS PRINSLOO DU TOIT - the municipality is sued an amount of R405 050.00 for negligence conduct.	405 050
4	MODIBA GOLOLO - The municipality is sued an amount of R13 229.87 for negligence conduct.	13 230
5	DITSIO HUDSON MOLABA - The municipality is sued for an amount of R220 000.00 for unlawful arrest, assault and detention without a warrant of arrest.	220 000
6	PHILLIP MADIMETJA - The municipality is sued for an amount of R60 000.00 for loss of income.	60 000 000
7	MAHLOLO CHARLES RATHANGA - The municipality is sued for an amount R335 000.00 for breach of contract.	335 000
8	MAPOTENE - MANGENA ATTORNEYS - the former attorneys is claiming an amount R466 734.20 for legal services rendered	466 734
9	CV CHABANE & ASSOCIATES (PTY) LTD - The municipality is been sued an amount R2 882 190.28 for services rendered.	2 882 190
10	MPHAHLELE RAESETJE DIKELEDI - The municipality is sued for an amount of R40 000 for negligence conduct.	40 000
11	LEGODI FRANCINAH - The municipality is sued for an amount of R27 947.10 for damages.	27 947
12	SELLO SILAS SETHOSA - The municipality is sued for an amount of R80 610.52 for vehicle collision.	80 611
13	LEDWABA NDLOVU TRADITIONAL AUTHORITY AND 71 OTHERS - The municipality is sued for damages of R500 000 for unlawful dispossession of arable land.	500 000
14	SEBATA Municipal solutions - The municipality is sued for non-payment of invoices.	4 943 578
		70 799 593

Should the action be successful the municipality does have insurance cover to cover litigation costs and claims.

There is no reimbursement from any third parties for potential obligations of the municipality.

37. Risk Management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.,

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	104 395 284	-	-	-

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	67 359 774	-	-	-

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

Financial assets exposed to credit risk at year end were as follows:

Notes to the Financial Statements

Figures in R	2020	Restated 2019
Risk Management continued...		
Financial instrument		
Receivables from exchange transactions	47 504 562	34 125 557
Receivables from non-exchange transactions	57 091 143	52 394 235
Cash and cash equivalent	168 504 049	89 297 761
VAT receivable	1 521 059	-

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 4 & 5 of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at 10% where applicable.

For financial assets wich are past due and imapired refer to note 4 & 5. None of the financial assets terms have been renegotiated. None of the financial assets were used as security or collateral

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed above.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed above.

Interest rate risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

Foreign exchange risk

The municipality does not engage in foreign currency transactions.

Price risk

The municipality is not exposed to price risk.

The municipality does not hedge foreign exchange fluctuations.

		2020	Restated 2019
38. Financial Instruments disclosure			
Categories of financial instruments			
Financial Assets	**Classification**		
Investments			
Short term deposits	Held to maturity	150 980 914	-
Consumer Debtors			
Receivables from exchange transactions	Financial instruments at amortised cost	57 091 143	52 394 235
Receivables from non exchange transactions	Financial instruments at amortised cost	47 504 562	34 125 557
Call Deposits	Financial instruments at amortised cost	13 191 907	83 867 594
Bank Balances and Cash			
Cash Floats and Advances	Financial instruments at amortised cost	7 011	18 840
Summary of Financial Assets		**268 775 537**	**170 406 226**
Financial Liability	**Classification**		
Trade Payables			
Payables from exchange transactions	Financial instruments at amortised cost	104 395 284	67 359 774
Summary of Financial Liability		**104 395 284**	**67 359 774**

39. Events after the reporting date

The municipality have not identified any material non-adjusting events after the reporting date relating to the financial period then ended 30 June 2020.

40. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R1 111 344 622 and that the municipality's total assets exceed its liabilities by R1 111 344 622.

The Council is not aware of any new material changes that may adversely impact the Municipality. The Council is also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Municipality.

Notes to the Financial Statements

Figures in R	2020	Restated 2019

41. Fruitless and wasteful expenditure

Opening balance as previously reported	2 032 791	1 987 888
Add: Fruitless and wasteful Expenditure - current year	16 946 882	44 903
Closing balance	**18 979 673**	**2 032 791**

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	2020
Interest charged on overdue ESKOM accounts	Under investigation (Due to late submission of invoices)	19 237
Penalties Charged on Licensing of Municipal Vehicles	Under investigation.	6 028
Poor project management	In progress	16 921 617
		16 946 882

42. Unauthorised expenditure

Opening balance as previously reported	6 345 735	5 828 092
Add: Unauthorised expenditure for the year	317 380	517 643
Closing balance	**6 663 115**	**6 345 735**

Unauthorised expenditure for the current year

Recreational Facility Maijane - The project was initially budgeted for R3, 000,000.00 in 2018-2019 financial year and adjusted downwards to R1,000,000.00 in the same year and not rolled over/ budgeted for in 2019-2020 financial year but adjusted to R1, 317,736 during adjustment budget and did not cater the retention. The amount of R1317736.12 was paid to consultant [Aobakwe Consulting Engineers and project managers] and retention of R69 354.53 was withheld and had to be capitalised against the expenditure vote. The total budget required is R1 387 091, hence the shortfall. The project is not completed.	69 355
Electrification of Makgophong 110 HH - The project was initially budgeted for R300, 000.00 in 2019-2020 financial year and adjusted upwards to R750, 000 during adjustment budget and did not cater the retention. Mahlatji Mmmetji was paid R946 875 for two (02) certificates and retention on the second certificate and portion of the payment to contractor was over the budget hence the shortfall. The project is not completed.	63 971
Electrification of Mahlatjane 109 HH - Unauthorized expenditure is caused by over commitment on the budget vote due to exclusion of consulting fees and it was not adjusted during budget adjustment process in January 2020.	184 054
	317 380

Restated

43. Irregular expenditure

Opening balance as previously reported	348 773 698	263 729 214	
Prior period error. Refer to Note 34	5 112 203	38 615 184	9418392.46
Prior period error 2017/18 adjustment	4 306 189		
Opening balance as restated	**358 192 090**	**302 344 398**	
Add: Irregular Expenditure - current	2 088 616	2 572 383	
Add: Irregular Expenditure relating to expenditure identified in prior year	10 448 396	43 856 917	
Irregular expenditure awaiting condonement by National Treasury	**370 729 102**	**348 773 698**	

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	Amount
Request for quotation not sent out at least 14 days before the closing dateRequest for quotation not sent out at least 14 days before the closing date	Under Investigation	824 378
Invitation and local content not part of specification	Under Investigation	3 652 827
Bid document not fully initialized	Under Investigation	1 246 493
Bidders did not include municipal rates, taxes and service charges for director(s), however they were awarded with contracts.	Under Investigation	66 460
The contracts were extended without the approval of council	Under Investigation	1 508 257
Bid committees were not involved in the awarding of the bid	Under Investigation	4 705 983
Tender above 10m not advertised for 30 days	Under Investigation	481 515
Bookings arranged for overnight accomodation for less than 500km (to and from destination) not in line with the cost containment	Under Investigation	19 668
Bookings made without approval by delegated officals	Under Investigation	31 432
		12 537 012

Figures in R	2020	Restated 2019

44. Additional disclosure in terms of Section 125 Municipal Finance Management Act Section 2003

Contribution to SALGA

Current year subscription / fee	1 102 390	1 064 940
Amount paid - current year	(1 102 390)	(1 064 940)
	-	-

Audit fees

Opening balance	9 436	9 436
Current year fee	3 322 609	3 005 877
Amount paid - current year	(3 322 609)	(3 005 877)
Closing balance	**9 436**	**9 436**

The outstanding audit fees is part of the creditors accruals for the year.

PAYE and UIF

Opening balance	295	
Current year subscription / fee	17 386 662	16 605 068
Amount paid - current year	(17 386 662)	(16 604 773)
Closing balance	**295**	**295**

Pension and medical aid deductions

Current year subscription / fee	26 566 193	25 078 570
Amount paid - current year	(26 566 193)	(25 078 570)
Closing balance	-	-

VAT

VAT receivable/(payable)	1 521 059	(5 327 508)
	1 521 059	**(5 327 508)**

VAT is payable on the cash basis.

VAT output payables and VAT input receivables are shown in note 6.

	2020	Restated 2019

45. Related parties

Relationships

Controlled by the same government - legislatively (MFMA Act)	Capricorn District Municipality (CDM)
Controlled by the same government - legislatively (MFMA Act)	Department of Transport

The municipality is involved in an agency relationship with Capricorn District Municipality for the provision of water services and also receives a Grant from the Municipality. Also have an agency relationship with the Department of transport for permits and licences. The Lepelle-Nkumpi municipality earns a fee (commission) for performing this services

Related party balances

Unspent Grants - by related parties		
CDM - Halls	(6 135)	(6 135)
CDM - Stadiums	(300 000)	(300 000)
CDM - Eradication of alien Plants	(16 455)	(16 455)
CDM - Integrated Transport Plan	(377 308)	(377 308)
CDM - Waste Management Cleaning	40 000	40 000

The balance relate to the unspent Grant received from Capricorn District Municipality use of Halls, Stadiums, Integrated Transport plan, etc. for the year ended 30 June 2019. No grant was received in the current year.

Amounts included in Trade receivable (Trade Payable) regarding related parties		
CDM - (Creditor)	(27 537 847)	(15 426 422)
CDM - (Commission)	128 032 784	105 423 047
Department of Transport - Advance	(68 169)	(68 169)
Department of Transport - Creditor	(48 714)	(48 714)
Traffic Department - Ratio split	(1 470 961)	(920 894)
Department of Transport - Road Transport Management Corporation (RTMC)	(133 759)	(91 279)

The balances relate to the commission due from CDM and monies owed to them for water and sanitation for the year ended 30 June 2020

Provision for doubtful debts related to outstanding balances with related parties		
CDM - Commission	(109 225 082)	(87 571 301)
Department of Transport - Traffic fines	(4 184 394)	(9 724 479)
Expenses recognised in respect of bad or doubtful debts		
Department of Transport - Traffic fines	5 540 085	(355 040)
CDM - Commission	(21 653 781)	(25 041 642)

Related party transactions

Agency fees received from related parties		
Department of transport	3 551 687	4 305 715
Commission earned from related parties		
Capricorn District Municipality (CDM)	23 285 023	28 636 374

Figures in R	2020	Restated 2019

Related parties continued...

Revenue from traffic fines for related parties

Department of Transport	5 072 385	513 050

Councillors' arrear consumer accounts owing	Outstanding less than 90 days	Outstanding more than 90 days	Total
Choung C.M	199	-	199
Mollo M.I	559	609	1 168
Ramalebana L.M	223	6 940	7 163
	982	**7 549**	**8 531**

Key management information

Class	Description	Number
Executive management		
Acting Chief Financial Officer	Masemola M.N	1
Acting Municipal Managers	Gafane L.A	1
Mayor	Molala Matshipsana Merriam	1
Executive Committee members	Refer under General information for Executive Committee members	9
Councillors	Refer under General Information under Councillors	50

Remuneration of management

2020	Basic salary	Other shortterm employee benefits	Postemployment benefits	Other longterm benefits	Other benefits received	Total
Municipal Manager	-	28 352	-	-	2 000	30 352
Chief Financial Officer	-	78 258	-	-	-	78 258
	-	**106 610**	**-**	**-**	**2 000**	**108 610**

2019	Basic salary	Other shortterm employee benefits	Postemployment benefits	Other longterm benefits	Other benefits received	Total
Municipal Manager	454 510	144 324	153 777	50 902	12 000	815 513
Chief Financial Officer	813 635	-	4 015	-	24 000	841 650
	1 268 145	**144 324**	**157 792**	**50 902**	**36 000**	**1 657 163**

Related parties continued...

Councillors

2020

Surname and Initials	Basic salary	Allowances	Total
Molala MM	770 183	58 635	828 818
Ntsoane PB	522 586	210 502	733 088
Thobejane TA	489 926	200 121	690 046
Ramokolo MM	520 772	174 253	695 025
Makgati MA	489 926	200 121	690 046
Themane MD	489 926	200 121	690 046
Mollo MI	480 082	196 992	677 074
Mphofela SM	352 689	51 904	404 593
Mogashoa A	273 319	131 273	404 593
Mphahlele RL	273 319	131 273	404 593
Tsela FD	273 319	131 273	404 593
Leshilo GK	272 430	44 400	316 830
Thobejane TC	272 430	44 400	316 830
Rababalela SM	270 443	130 585	401 028
Ratau IG	270 443	130 585	401 028
Doubada NN	265 296	128 723	394 019
Ramalebana LM	228 553	92 777	321 330
Lekoana MR	212 399	104 431	316 830
Seribishane KG	212 399	104 431	316 830
Chidi MV	212 181	104 649	316 830
Kgokolo RD	206 724	110 106	316 830
Makola J	206 724	110 106	316 830
Babile PT	206 724	110 106	316 830
Kgweedi MM	206 724	110 106	316 830
Ledwaba CS	206 724	110 106	316 830
Mailula LM	206 724	110 106	316 830
Masebe BN	206 724	110 106	316 830
Masemola SG	206 724	110 106	316 830
Mathabatha TP	206 724	110 106	316 830
Mohlala LN	206 724	110 106	316 830
Molala MJ	206 724	110 112	316 836
Mphahlele TJ	206 724	110 106	316 830
Ntshabeleng PS	206 724	110 106	316 830
Ntswane MR	206 724	110 106	316 830
Phele RS	206 724	110 106	316 830
Takalo ME	206 724	110 106	316 830
Thobejane L	206 724	110 106	316 830
Choung CM	206 724	110 106	316 830
Kutumela FM	206 724	110 106	316 830
Ledwaba JL	206 724	110 106	316 830
Ledwaba PE	206 724	110 106	316 830
Mabula RO	206 724	110 106	316 830
Makgahlele MB	206 724	110 106	316 830
Marema TG	206 724	110 106	316 830
Matsimela MD	206 724	110 106	316 830
Mmotla MN	206 724	110 106	316 830
Moganedi VM	206 724	110 106	316 830
Mohlala PM	206 724	110 106	316 830

Notes to the Financial Statements

Figures in R		2020	Restated 2019
Related parties continued...			
Molaba RG	206 724	110 106	316 830
Molatjana ML	206 724	110 106	316 830
Morotoba NL	206 724	110 106	316 830
Mvundlela MW	206 724	110 106	316 830
Nkuna FM	206 724	110 106	316 830
Petje LT	206 724	110 106	316 830
Ramoshaba RS	206 724	110 106	316 830
Shogole mw	206 724	110 106	316 830
Takalo PS	206 724	110 106	316 830
Tlabjane JB	206 724	110 106	316 830
Phoshoko SD	153 337	80 245	233 582
Mphuti T	138 418	79 439	217 857
Thindisa DM	3 559	4 886	8 446
	15 303 441	**6 920 062**	**22 223 504**

	2020	Restated 2019

Related parties continued...

2019			
Surname and Initials	**Basic salary**	**Allowances**	**Total**
Sibanda-Kekana NG (resigned May 2019)	408 520	166 748	575 268
Ntsoane PB	500 364	240 595	740 959
Thobejane TA	469 092	208 831	677 923
Mogashoa A	240 053	153 601	393 654
Ramokolo MM	647 380	126 761	774 141
Makgati MA	469 092	262 261	731 353
Mphahlele RL	261 697	187 775	449 472
Mphofela SM	297 774	142 594	440 368
Tsela FD	261 697	154 521	416 218
Maluleke HD (resigned April 2019)	196 758	128 758	325 516
Themane MD	469 092	239 720	708 812
Mollo MI (MPAC Chairperson)	459 667	233 172	692 839
Doubada NN (Ethics Chairperson)	254 014	126 557	380 571
Makgahlele MB	197 933	109 594	307 527
Marema TG	197 933	108 419	306 352
Takalo PS	197 933	139 500	337 433
Mabula RO	197 933	129 992	327 925
Thobejane TC	261 952	45 040	306 992
Shogole MW	197 933	139 414	337 347
Ledwaba CS	197 933	112 899	310 832
Ratau IG	197 933	110 991	308 924
Rababalela SM	197 933	148 526	346 459
Maleka PI (resigned April 2019)	148 817	92 103	240 920
Molaba RG	197 933	145 854	343 787
Seribishani KG	234 665	74 375	309 040
Thobejane L	197 933	165 166	363 099
Mphuti T	234 665	71 687	306 352
Kgokolo RD	197 933	124 795	322 728
Ntshabeleng PS	197 933	130 501	328 434
Mailula NM	197 933	130 448	328 381
Mphahlele TJ	197 933	128 964	326 897
Mamosebo MJ (resigned April 2019)	148 817	97 774	246 591
Tlabjane JB	197 933	121 479	319 412
Mmotla MN	197 933	165 585	363 518
Moganedi VM	197 933	165 862	363 795
Babile PT	197 933	145 808	343 741
Kutumela MF	234 665	87 417	322 082
Mvundlela SW	197 933	150 591	348 524
Nkuna FM	197 933	123 413	321 346
Ledwaba JL	197 933	125 257	323 190
Molatjana ML	197 933	166 508	364 441
Ledwaba PE	197 933	149 378	347 311
Kgweedi MM	197 933	138 092	336 025
Morotoba NL	197 933	115 225	313 158
Choung CM	234 665	88 023	322 688
Takalo ME	197 933	122 421	320 354
Lekoana MR	234 665	71 687	306 352
Leshilo GK	261 952	46 448	308 400
Petje LT	197 933	122 600	320 533

Notes to the Financial Statements

Figures in R		2020	Restated 2019
Related parties continued...			
Ntswane MR	197 933	148 835	346 768
Ramalebana LM	78 109	11 100	89 209
Mathabatha MP	197 933	122 023	319 956
Matsimela MD	197 933	172 582	370 515
Ramoshaba RS	197 933	125 689	323 622
Thindisa DM	197 933	120 794	318 727
Masemola SG	197 933	134 503	332 436
Phele RS	197 933	149 485	347 418
Mohlala PM	197 933	137 804	335 737
Molala MJ	197 933	115 024	312 957
Masebe BN	78 109	11 100	89 209
Chidi V	78 109	11 100	89 209
Mohlala LN	65 437	23 773	89 210
	14 355 415	**7 967 542**	**22 322 957**

Executive management

2020	Technical Services	Community Services	Corporate Services	Strategic Planning (LED)	Total
Categories					
Annual remuneration	805 183	638 451	204 295	-	1 647 929
Travel, Motor Car, Accomodation and other allowances	328 280	255 996	65 155	-	649 431
Contribution to UIF, Medical Aid and Pension Funds	62 797	156 482	75 633	-	294 911
Other allowances	24 000	24 000	6 000	-	54 000
	1 220 260	**1 074 929**	**351 083**	**-**	**2 646 271**

2019	Technical Services	Community Services	Corporate Services	Strategic Planning (LED)	Total
Categories					
Annual remuneration	726 048	569 545	-	295 559	1 591 152
Acting allowances	-	84 226	-	54 008	138 234
Travel, Motor Car, Accomodation and other allowances	311 163	244 090	-	142 386	697 639
Contribution to UIF, Medical Aid and Pension Funds	62 887	152 372	-	87 223	302 482
Other allowances	24 000	24 000	-	14 000	62 000
	1 124 098	**1 074 233**	**-**	**593 176**	**2 791 507**

36. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting and includes a note to the annual/interim financial statements.

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned

Deviation from supply chain management regulations continued...

Supplier Name	Services provided	Reason for deviation	Amount
The Institute of Internal Auditors SA	Registration fee for Rampuru Setati attending Public Sector Forum	Institute of Internal Auditors SA was hosting public sector forum on 04-05 February 2019, as a results obtaining quotes from other service providers becomes impractical.	4 186
Institute of Waste Management	Registration fee for L Kanyane attending Waste Management Conference	The institute of waste management of Southern Africa will be hosting its bi annual waste management conference in Gauteng from 15-19 October 2018 , as a results obtaining quotes from other service providers becomes impractical	6 060
Institute for Municipal Administrators of South Africa	Registration fee for Mr PD Somo attending IMASA annual general meeting	The institute for municipal administrators of South Africa will be hosting its 20 IMASA annual general meeting and conference on 17-19 October 2018, as a results obtaining quotes from other service providers becomes impractical	4 500
Institute of Traffic and Municipal police officers of Southern Africa	Registration fee for ITMPOSA annual conference at Durban form 9-10 November 2016	ITMPOSA hosted the annual conference at Durban and as a results obtaining quotations from other service providers becomes impractical.	11 700
Ramsay Media Pty Ltd	Registration fee for exhibition expo for a square meter shell space(stall and design furniture) for 2018 Gauteng gate way show	Ramsay Media is the only service provider that is managing the process of exhibition for the 2018 Gauteng gateway show and as a results obtaining quotations from other service providers becomes impractical	27 556
Chartered institute of government finance audit and risk officers	Registration fee for CIGFARO 90th annual conference at Durban international convention from 07-09 October 2019 for Mr. Gafane T	CIGFARO hosted the annual conference at Durban and as a results obtaining quotations from other service providers becomes impractical.	8 024
Chartered institute of government finance audit and risk officers	Registration fee for CIGFARO 90th annual conference at Durban international convention from 07-09 October 2019 for Mr. Rudzani Ramuhulu	CIGFARO hosted the annual conference at Durban and as a results obtaining quotations from other service providers becomes impractical.	8 024
Pay Day Software System cc	Payday assistance for easy filling from the 05-08 November 2019.	Payroll Unit is using payroll system for easy filling and as a results obtaining quotations from other service providers becomes impractical.	29 946

			2020	Restated 2019
Deviation from supply chain management regulations continued...				
Institute of Internal Auditors of South Africa	Renewal of Institute of Internal Auditors South Africa membership for Internal Audit officials.	Internal Audit Unit are members of the Institute of Internal Auditors of South Africa and the have to renew their membership with IIASA on an annual basis, as a result obtaining quotes from other service providers becomes impractical.		10 120
Sherriff Phalala	Preliminary services of the employed staff and purchase of equipment to dismantle the illegal structures by the Sherriff against the court order from the Polokwane High Court against illegal occupiers of the farm Voorspoed 458KS	Sherrif Phalala was authorized by the court to act on behalf of the Municipality against illegal occupiers of the farm Voorspoed 458KS hence obtaining other quotations became impractical		20 000
Lesego rato Legacy Pty ltd	Supply and delivery of COVID -19 Protective equipments 100 boxes of medical examination gloves ,100 Saniters (1 litre)	Due to outbreak of the COVID 19 that was declared a national disaster, an urgent request to protective equipment's in order to flatten the curve of infections was received, service providers were invited and advertising for 7 days on the notice board and website was impractical due of the urgency of the request		48 790
MJA Brothers Suppliers	Procurement of 08 infrared thermometer temperature scanners (hand held)	Due to outbreak of the COVID 19 that was declared a national disaster, an urgent request to procure temperature scanners in order to flatten the curve of infections for the virus was received hence obtaining three quotations became impractical due of the urgency of the request.		17 600
Nora Elle Pty ltd	Supply and delivery of COVID 19 Protective equipment's 1000 Surgical cloves,1500 Surgical mask,100 Apron ,20 Saniters and disinfectants (20 liter)and 50 spray bottles (500ml)	Due to outbreak of the COVID 19 that was declared a national disaster, an urgent request to protective equipment's in order to flatten the curve of infections was received, service providers were invited and advertising for 7 days on the notice board and website was impractical due of the urgency of the request		59 962
Zebediela Community radio station	Advertisement of IDP of radio advert (02-05 June 2020 and interview of the mayor (for 45 minutes) on Draft IDP and budget 2020/21	Advertising on local radio station to attract local residents within Lepelle- nkumpi Municipality area of jurisdiction on call for inputs and comments on 2020/21 draft IDP and budget and 2019-2020 amended process plan hence obtaining three quotations was impractical		14 400

Notes to the Financial Statements

Figures in R			2020	Restated 2019
Deviation from supply chain management regulations continued...				
Tebzen connect	Advertisement of IDP of radio advert (02-05 June 2020 and interview of the mayor (for 45 minutes) on Draft IDP and budget 2020/21	Advertising on local radio station to attract local residents within Lepelle- nkumpi Municipality area of jurisdiction on call for inputs and comments on 2020/21 draft IDP and budget and 2019-2020 amended process plan hence obtaining three quotations was impractical		15 500
Capricorn Voice	Advertisement of IDP of radio advert (02-05 June 2020 and interview of the mayor (for 45 minutes) on Draft IDP and budget 2020/21	Advertising on local radio station to attract local residents within Lepelle- nkumpi Municipality area of jurisdiction on call for inputs and comments on 2020/21 draft IDP and budget and 2019-2020 amended process plan hence obtaining three quotations was impractical		69 010
Sherrif Phalalang	The Municipality obtained a court order at Polokwane high court against illegal occupiers of the farm Voorspoed 458 KS	The Municipality obtained a court order at Polokwane high court against illegal occupiers of the farm Voorspoed 458 KS hence advertising for 7 days on the website was not practical		132 161
Mothokwa pest control and Projects	Fumigation of all municipal offices (Cultural Centre, civic Centre, Traffic Department, Library, Technical services, pound and civic hall) also the passages and entrances including 62 Municipal vehicles for the purpose of disinfecting the Corona Virus	Due to outbreak of the COVID 19 that was declared a national disaster, an urgent request to protective equipment's in order to flatten the curve of infections was received, service providers were invited and advertising for 7 days on the notice board and website was impractical due of the urgency of the request		86 800
				574 339

47. Budget information and explanation of differences

Material differences between the final budget and actual amounts

Statement of financial performance
Revenue

Rental of facilities and equipment
There were less bookings than anticipated

Water and sanitation : Commission Earned
The budget was based on 30% actual cash collection while the actual includes billing

Agency fees : Licences and permits
Under collection due to COVID 19 lockdown

Other revenue
Other revenue budget includes accumulated surplus of an amount of R25 500 000.00 from the savings of the previous financial year

Finance income
An increase in interest on overdue accounts was due to a decline in payment of municipal services as a result of Covid 19..

Government grants and subsidies received - Operating
The slow spending is due to the fact that most of the projects are still at various stages of SCM processes and non-adherence of procurement plan due to National State of Disaster of Covid 19 pandemic declared by the President during March 2020

Traffic fines
More traffic fines were issued than anticipated.

Expenditure

Remuneration of councillors
Over budgeting on councillors allowances.

Finance cost
Finance lease contract expired.

Provision for impairments adjustment
The provision is more that anticipated due to non payment of services.

Repairs and maintenance
Under spending on repairs and maintenance is due limited activities as a result of COVID 19 lockdown.

Budget information and explanation of differences continued...

Contracted services
Under spending on contracted services is due limited activities as a result of COVID 19 lockdown and due to MSCOA budget classification which affect general expenses.

Free Basic Services : Electricity
The number of indigent beneficiaries reduced significantly due to low turn up of registration.

General expenses
Over spending on general expenses is due to MSCOA budget classification which affect the contracted services budget.

Inventories
There was a prior year write down that was not anticipated during budget.

Receivables from exchange transactions
The variance resulted from continuous culture of non-payment of municipal services and the interruption implementation of credit control and debt collection policies and by-laws by Covid 19 pandemic.

Receivables from non-exchange transactions
There was an anticipation of an increase in property rates billing and debtors as a result of sale and registration of properties in Unit H and by Department of Public Works. The process was therefore interrupted by the Covid 19 pandemic.

Cash and cash equivalents
The balance is due to non spending of expenditure as a result of Covid-19

Investment property
Unregistered properties belonging to the Municipality were recognised.

Intangible assets
The variance is due to softwarecapitalisation that was not anticipated.

Heritage assets
Heritage assets were budgeted for under PPE

Payables from exchange transactions
The variance is due to retentions withheld as most of the projects are not yet completed due to Covid-19and also that accrual and Leave days budgted for but no longer encashed.

Finance lease obligation
The lease contract expired.

Unspent conditional grants and receipts
The budget of R14,557,490 was the unspent grants for 2018-2019 financial year and the actual unspent amount of R16,892,408 was due to FMG and MIG unspent grants for 2019-2020 which was due to the slow spending of the projects that are still at various stages of SCM processes and non-adherence of procurement plan due to National State of Disaster of Covid 19 pandemic declared by the President during March 2020

Provisions
The variance is due to change in valuation methodology on the landfil site provision.